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THE CANADIAN AGRICULTURAL IMPORT PROBLEM

HEARING

BEFORE THE

SUBCOMMITTEE ON MONETARY AND FISCAL POLICY

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

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THE CANADIAN AGRICULTURAL IMPORT PROBLEM

WEDNESDAY, JULY 2, 1986

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON MONETARY AND FISCAL POLICY
OF THE JOINT ECONOMIC COMMITTEE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9 a.m., in room 118, Sheilds Hall, College of Southern Idaho, Twin Falls, ID, Hon. Steven D. Symms (chairman of the subcommittee) presiding.

Present: Senator Symms.

Also present: Joe Cobb, professional staff member.

OPENING STATEMENT OF SENATOR SYMMS, CHAIRMAN

Senator SYMMS. Good morning. I first want to welcome all of you here this morning, and I want to thank the witnesses because I know some of them came from quite some distance and some at some personal expense to be here to testify.

I do think that the subject matter that we're going to talk about this morning is one that's important to us as agriculture producers in a state like Idaho, and I think it's important that we get to the bottom of the problem as to whether or not Canadian imports are damaging agriculture production. And if so, how much? And if there are some recommended solutions and a recommendation should be made to the Congress for legislative solutions or administrative actions or what have you?

I welcome all of you here this morning. This is the Subcommittee on Monetary and Fiscal Policy of the Joint Economic Committee. And I want to introduce our subcommittee counsel this morning, Mr. Joe Cobb, who flew out last night from Washington, D.C., and his bags are still in Salt Lake City. So tomorrow if you're in Idaho Falls at the hearing he will be properly attired in suit and tie as he should be for a hearing. But you're really not too much out of character for Idaho, Joe. We will take you out and let you pull a couple rows of beets and you will feel right at home.

I think what I would like to do is to determine the extent of damage to U.S. markets by unfair Canadian imports. Number two, to see what administrative or legislative action is needed to protect our industry beyond what is currently being imported, and to discuss the vital questions.

Some of the best informed people in agriculture are here who can give us their opinions and their knowledge and their experience. I thank you for your willingness to travel across the state

from eastern Idaho. I note that Tom Richards is down from Coeur d'Alene to talk about timber, and I think we do have a similar situation, as far as problems are concerned, in potatoes and in beef and in pork and in timber, and I appreciate people that have come from various places around the state to talk about some of the things that might be effective to our own prosperity.

I, personally, feel very strongly about this; other countries feel very strongly about it. Canadians look across the border and see a tempting market for their agriculture products. It's only natural, but international trade has to be a two-way street. And my demand always has been that in order for us to have a world where we cannot have protectionist barriers built we have got to have fair trade before it could ever be free.

Now, I'm convinced that fair, free trade in the long run will be mutually beneficial to all to us. And that's why I did cast a deciding vote to allow the administration to proceed on the fast-track basis toward bilateral negotiations between the United States and Canada. Which ideally—the idealists talk about bilateral negotiations toward a free trade zone. Although I don't believe that anyone really believes that it would ever be completely wide open and free, I do think that bilateral negotiations—to have a good association with our Canadian neighbors, which we have a very long and friendly border with, is important to both countries.

I did that only after receiving the President's assurance that his commitment to fair trade includes a sensitivity to the specific agriculture concerns I have raised with him. And the President is aware of the problems—including Canadian competition between Idaho livestock producers, potato farmers, grain growers and other agriculture groups.

Without question, our farmers and ranchers can compete successfully with anyone in the world if they have a fair chance—but they need that chance. In our state the trade with Canada is huge. The total trade volume last year between the U.S. and Canada—was one hundred twenty-three billion. We had a deficit of 15.7 billion.

In agriculture the total was 1.7 billion with a surplus of 1.4 billion. With this enormous volume of business we must have free, fair trade, and I'm convinced it isn't completely free right now. For example, it's documented that Canadian potato producers are the beneficiaries of 32 government programs. As Tom Richards can tell you, Canadian lumbermen have been enjoying enormous subsidy. The lumbermen have just completed the first step toward the imposition of a countervailing duty.

The situation is not as clear with cattle. Under the Canadian tri-party, tri-stabilization program cattlemen receive a price support when prices fall below the floor. But because this is a voluntary program, with only about 20 per cent of the producers participating, it's somewhat difficult to calculate the actual subsidy.

I'm sure that port producers have similar problems getting to the facts. We have had serious questions raised about the accuracy of statistics on cattle imports. The animal and plant health inspection service is now collecting data weekly for the National Cattlemen's Association and this should be reliable. However, we don't have all the facts.

If we have an unfair trade situation, and I'm sure we do, the question is: How do we make it fair? I have taken steps that will help. The countervailing duty has been imposed on shakes and shingles, and I have been active in meeting with Canadian officials to urge fair trade practices.

The President has given me, and others, a written commitment to be sensitive to agriculture concerns, and it is important. I have cosponsored several resolutions calling for new grounds of multilateral trade negotiations and strongly support GATT negotiations.

I have sponsored the Foreign Agricultural Investment Reform bill which is moving along well with foreign assistance and commodities, which I introduced last week along with five of my colleagues, which will reduce the amount of cash paid in foreign aid and require that aid in the form of commodities be given wherever possible.

I will also cosponsor a resolution calling on the President to initiate a new long-term agreement on agriculture trade with the Soviet Union. And I cosponsored the bill removing blended-credit exports of agriculture products from requirements to use American shipping.

Twice, I have cosponsored resolutions calling for dismantling Japanese non-tariff barriers to American beef. I have also introduced a tariff bill for Canadian lumber and cosponsored the national resource subsidy bill.

These actions, I believe, have brought about the current consideration of the countervailing duties. They are expected to provide relief for the lumber industry. They may not work for other commodities, but they should be considered, and we don't know that that will be the outcome.

With respect to the lumber, we have to let the judicial process—the administrative judicial process—run its course without interference. But it is on the track and I'm hopeful that the bilateral trade negotiations, as they move forward, some of these inequities are going to be washed out. Others may require specific legislation—other commodities.

Now, we have several witnesses scheduled today and during their presentations we will have some questions. When they conclude their statements I will encourage anyone with a comment or a statement, if there is time left, to speak up. If not, we will keep the hearing record open for those of you that are here that are not on the witness list to speak up.

Now, our first witness, Mr. Leo V. Mayer, who is the Associate Administrator of the Foreign Agricultural Service, will comment on what USDA's point of view and position is. Mr. Mayer, we welcome you to Idaho. We hope you had a good trip out here, and I hope you will be able to spend a couple of days and visit with some of the people that are here, to get the pulse of what's going on in Idaho agriculture. And I can assure you that it's tough out on the farm right now.

It's a very difficult situation that our farmers are faced with. There isn't anything about the problem that—about its 25 or 30 percent increase in hopes that the prices would help enormously—but it's tough out on the farm. And so any suggestions or ideas that you have we would welcome. Please go ahead with your statement.

STATEMENT OF LEO V. MAYER, ASSOCIATE ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. MAYER. Thank you very much, Senator. It's a pleasure to be in Idaho. It's also an honor to represent the Department of Agriculture here this morning. It's very much in the long run a tradition of the Joint Economic Committee that the subcommittee comes out and holds this hearing.

Around the world people are taking a close look at agricultural trade trends and an array of problems arising from overproduction, large global surpluses, depressed world prices and unfair trade practices. The combination of these factors means competition for export markets has become tougher than ever. As a result, we are seeing change in trading patterns, even with some of our best customers such as Canada.

In the trade arena, Canada and the United States have the largest economic trading relationship in the world. In 1985, bilateral trade grew to almost $115 billion, up 4 percent from the year before. Canadian exports to the U.S. rose 5 percent, to $69 billion, representing over 78 percent of Canadian exports. U.S. exports to Canada accounted for 22 percent of all U.S. exports.

Although Canada is without question an important trading partner, many Americans are concerned about the growing trade deficit with Canada. Five years ago the U.S. and Canada enjoyed somewhat of a relative parity in trade. Since then, Canada's surplus with the U.S. has ballooned, and we estimate it to be about $23 billion in 1985.

In agricultural trade, Canada ranks as our second largest export market. According to U.S. trade statistics, adjusted to account for under-reporting, the U.S. held on to its favorable agricultural trade balance with Canada in 1985. However, Canadian purchases from the U.S. slipped by 9 percent to $2.6 billion while U.S. purchases from Canada held steady at $1.9 billion. So we exported $2.6 billion to them and imported $1.9 billion from them.

The U.S. balance of trade in agriculture products with Canada has been slipping since the early 1980's. Canadian agricultural and trade policies for various commodities certainly plan a role in the balance of trade—encouraging Canadian partners to produce more of certain commodities which have to be exported.

Major U.S. agricultural imports from Canada in 1985 were pork, live swine, cattle, beef, ale, and beer. Although not included in the agricultural trade figures I cited, lumber is another big-ticket item. Fresh fruits and vegetables, soybeans, soybean oil, cake and meal, and raw cotton head the list of those items that we export to Canada.

The economies of both of our countries were built on trade, and today, more than ever, international trade is criticial to our livelihood. History has taught us that the freer the flow of trade, the stronger the tides for economic growth and development. Open markets, where trading nations can put both their unique comparative production advantages to work, result in improved resource use, additional economies of scale, wider diffusion of technology,

lower domestic commodity prices, and a wider variety of consumer goods.

For years Canada and the United States have talked about freer trade. Now the leaders are doing something about it. In March 1985, President Reagan and Prime Minister Mulroney met in Quebec and promised ". . . to invigorate our unique trading relationship."

Pledging to give the highest priority to talks that would reduce and eliminate existing trade barriers, they announced their intentions ". . . to provide a model to other nations of the way in which two modern societies can work in harmony."

Freer trade negotiations got underway this spring with the first meeting held in Ottawa. I participated in those negotiations and the subsequent talks in Washington as USDA's representative. The agricultural negotiations will begin later this month, but given the complexity of agricultural policies and programs on both sides of the border, the issues will take several monthly sessions to resolve.

Tariffs will be one of the issues in the agricultural talks, but from the U.S. perspective, negotiations will need to address more than tariffs alone.

Some U.S. lawmakers already have called for an end to specific nontariff trade frictions, especially what they consider as Canada's subsidies on softwood lumber that are hurting U.S. producers.

Recently—as widely reported by the news media—the President imposed new duties on Canadian cedar shakes and shingles after the ITC found that the U.S. shake and shingle industry was suffering injury from soaring Canadian imports. In retaliation, Canada imposed duties on a range of U.S. products, including books, computer products, and oatmeal. The U.S. Commerce Department also has launched an investigation into complaints by U.S. lumber producers of unfair trade practices by the entire Canadian softwood lumber industry.

Other lawmakers would like to see an end to provincial laws, such as those of beer and wine regulations, that are seen as barriers to U.S. products.

Another issue is Canada's supply management and import quotas. Canada has import quotas on broilers, table eggs, turkeys, and certain grain, grain products and dairy products. These are allowed under international trade laws since Canada has supplied management programs for these commodities. The U.S. is concerned, however, over moves to bring additional quantities, including tobacco, under supply management, as well as recent Canadian government approval for a new marketing agency for hatching eggs for broiler chicks. We believe this is the wrong direction to move and would prefer to see a greater market orientation in Canadian policies.

The Western Grain Transportation Act rail rate, a long-standing grain transportation subsidy which boosts Canadian grain exports, is another issue which will have to be addressed in those talks. Of major concern to U.S. interests is the fact that the U.S. market is now defined as an eligible export destination for products moving westward through Vancouver under the subsidized rates. In addition, the subsidy coverage was expanded for various oilseed products, pulses, and feedstuffs.

The Canadian Grain Transportation authority has reviewed the legislation and made a report to the Canadian government, but whether they will change the legislation is uncertain.

The fresh produce industry also has a number of contentious issues arising out of the fact that the United States and Canada are such important trade partners in horticultural products.

While the current exchange rate differentials currently gives Canadian products a big advantage in the U.S. market. The U.S. dollar is worth $1.37 in Canadian money. The U.S. is concerned that the Canadian government protects and fosters its produce in spite of that differential. Restrictions on interprovincial and international movements of products under the Canadian Agricultural Products Act often impede U.S. exports of bulk shipments, as does the Canadian prohibition on consignment sales of U.S. produce.

In recent years, Canadian exporters have made significant inroads into U.S. markets for a number of horticultural products; namely, carrots, onions, cabbage, lettuce, and of course, potatoes. Although the fresh potato trade counts for only a small portion of total horticultural products trade, it has continued to be a major source of friction. In recent years, the trade balance in potatoes has shifted in favor of Canada, and U.S. growers often cite Canadian government subsidies as a significant factor in this trend.

In response to such produce industry concerns, USDA and Ag Canada have formed a horticultural advisory group to examine trade and economic problems facing producers on both sides of the border.

In livestock trade, the U.S. is a net importer. Canadian exports of pork and hogs have risen dramatically since the 1970's. Trade in the beef sector is generally complementary—with the U.S. exporting primarily high-quality beef for the hotel, retail and institutional market, and importing manufacturing qualify beef.

Canada imposed import quotas in 1985 but exempted high-quality beef, which comprises the bulk of U.S. shipments.

All trade frictions, of course, do not originate north of the border. Policymakers in the U.S. are well aware that Canadians think a number of our trade practices impede free trade.

Imports of bulk shipments of a number of fresh products into the U.S., for example, are required to comply with the grade, size, quality and maturity provisions of federal marketing orders—a requirement the Canadian growers believe is too restrictive.

Canada also strenuously objects to U.S. quotas on imports of sugar-containing products. And as a major supplier is seeking compensation under the GATT.

Both countries have imports relief laws which protect domestic industries from imports of unfairly traded goods or imports surges. These laws conform with international requirements, but they sometimes heighten trade tensions.

In recent years, Canadian dumping cases have been filed against U.S. western-grown potatoes and refined sugar. U.S. producers have filed charges against dumping of Canadian potatoes and raspberries, and softwood lumber.

Technical considerations such as animal health requirements and packaging standards sometimes prevent the free movement of goods across national borders as well. The Canadian 30-day quaran-

tine on live hogs imported from the U.S. to prevent the introduction of pseudorabies, for example, effectively blocks U.S. exports to Canada for hogs for slaughter.

Strict residue standards and differences in U.S. and Canadian pesticide regulations also affects cross-border trade.

You can see that each country has its own proprities when it comes to controls, and it is clear that achieving freer trade will not be an easy process. Unless all agricultural issues are placed on the table, however, protection and counter-protection measures will continue to fly back and forth across the border, undermining this unique opportunity for freer trade.

Compromise, of course, means risk. But clinging to policies that inhibit trade is not in the long-term economic interest of farmers, workers and businesses. In fact, just the reverse happens. Over time we lose markets. We lose jobs. And we lose our prosperity.

AT this point we still have a long way to go to achieve bilateral consensus on freer trade. But I am convinced that a free trade agreement firmly rooted in the foundation of free and open markets holds the key to economic prosperity for both of our nations.

That concludes my statement, Senator. I will be happy to hear comments and try to answer those.

Senatory SYMMS. Thank you very much for your statement. I think it sets a tone for what it is the United States, the President and Prime Minister Mulroney hope to achieve. You participated, you say, in the recent round of negotiations. And although I assume you were there on the agriculture side, was there any consideration that you heard of talked about by the Canadians—was this after the shakes and shingles or before when you were there?

Mr. MAYER. The second session in Washington was after the position of the shakes and shingles duty.

Senator SYMMS. Is there any consideration that you heard of on the part of the Canadians that they might make an adjustment, internally, to prevent the necessity for a continuation of that course of action with softwood versus timber?

Mr. MAYER. No. But I would point out we have tried to keep those things separate—free trade negotiations and the current trade problems between the two countries. We do not want the negotiators handling the free trade discussions to get involved in the immediate conflicts between the two countries. We think that would just confuse and slow progress.

What the negotiators are really trying to do is find a much broader agenda on which to be able to agree and then in the process solve the smaller conflicts—at a later date.

Senator SYMMS. Well, now they mentioned sugar in two veins. One is that the Canadians are complaining about our restriction against some Canadian sugar. There's no sugar produced in Canada, is there?

Mr. MAYER. No. They import raw sugar.

Senator SYMMS. So they import sugar from the Caribbean?

Mr. MAYER. Yes.

Senator SYMMS. And then they have a quota or bring some into the United States?

Mr. MAYER. They're really shipping in not sugar as much as sugar-containing products. And there's and issue of how much

sugar should a product contain and still be shipped in here with the produce that we have in place. There was iced tea mixes and things like that that was being charged and then shipped in here and contained as much as 60 per cent sugar and then the sugar was being taken out of the mix.

So there was action by the administration to restrict the amount of sugar that could be brought in in any king of sugar that became a product. They, of course, reacted to this very strongly saying that traditional items that have been shipped in here are now being restricted because of these limitations. We have made some adjustments where we think they have legitimate complaints with specific products and have needless restrictions.

Senator SYMMS. Back to my first question; I'm not sure I quite got the answer. But you heard no conversations or indications that the Canadians have yet come to the point of view to recognize they're going to have to take action on their side of the border of whether we're going to take it on this side of the border?

Mr. MAYER. No. I have not grasped that at all.

Senator SYMMS. Would it not be possible for them to impose an excise tax, say, on shakes and shingles from the federal government of Canada to the provincial government?

Mr. MAYER. I think if they become convinced that we're serious about limiting the imports of products they may come to the conclusion of doing something.

Senator SYMMS. If we're going to impose a countervailing duty on them, I would think it would be in their own best interest to impose it on themselves.

Mr. MAYER. I would only make a parallel. I'm sure you have also heard of the famous spiel we had with the EC. That really took off about 1982 in its current heightened rhetoric. And it has now taken from 1982 to 1986 for the EC to come to a conclusion that we're serious and we're going to do something.

I suspect there is that kind of a time lag. Perhaps not that long with Canada because the discussions are so much closer here, but certainly there is a time lag between the time that we impose that duty and they become convinced that we're serious and this is going to be our longer term policy.

Senator SYMMS. Well, now, last Friday there was a news statement that come out of Washington's economic halls that said that U.S. agriculture production and imports were in a net negative state for the first time. Would you comment on that and what has brought that about? How did the United States get in a situation where we're actually importing more agriculture than we're exporting?

Mr. MAYER. Let me point out first, it was just for the month of May that this is true. The reasons, we think, have to do as much with the present farm bill as anything. That is, under the old farm bill, which has been in effect for years, we had very high support prices which held up market prices in the U.S.

Now the new farm bill which was passed in December is going into effect with its lower support prices. And prices are making that adjustment from the high to the lows. The buyers overseas are sitting back waiting for us to get to those lower price levels before they buy.

The consequence is that there is a tendency in May for exports to be very low; imports to continue their slow rise. The result being that we did run a deficit for the month of May.

Senator SYMMS. What do your projections say for this year?

Mr. MAYER. For the year, we're still projecting about a $7 billion surplus in agriculture trade.

Senator SYMMS. At what point do you think the world grain trade will restore purchases of U.S. grain?

Mr. MAYER. Well, the wheat marketing prices went into effect on June 1. It will take some time for the markets to fully adjust to that. But that should begin to take place very quickly. Rice—the marketing on the rice went into effect on April 15. That is beginning to take effect.

The cotton marketing loan rate which will be lower will take effect on August 1. So its got some months yet to fully play out. Feed, grain, corn prices don't go into effect until September 1, so there is still some time there. But you can see that these things are staged out throughout most of 1986. It's really going to be late 1986, at least, before the full impact of the 1985 farm bill begins to take effect and make us more competitive in the world market.

Senator SYMMS. But you do anticipate we are much, much more competitive now that we were a year ago?

Mr. MAYER. Yes, we're more competitive, plus we have the programs that were in the '85 bill. The export enhancement program is fully operational. The credit programs are running at higher levels this year than they were a year ago. Other countries are using our credit——

Senator SYMMS. Who's getting the benefit of the export enhancement program? Does that go even hand across the board to all our regular customers or just special customers?

Mr. MAYER. There are some customers that are not eligible for it. Primarily, it's aimed at customers where the European community was subsidizing exports to those customers.

Senator SYMMS. How about our customers where we sell soft white wheat in this part of the United States—Washington, Oregon and Idaho—that goes out to the Pacific rim. Are those countries going to be eligible for that?

Mr. MAYER. The Pacific rim countries have not been targeted for that program. Primarily we—the community has not sold any wheat or the commodities subsidized into that area, and the consequence is we are not targeting those countries—trying to take that market away.

Senator SYMMS. I think a lot of what you're concerned with is if we give to some people that haven't been our customers, what do our good old faithful customers think?

Mr. MAYER. That certainly has been a criticism of the program. We're very much aware of that. I would only point out that wheat has been the biggest recipient of the export program, but we're very much aware of the criticism.

Senator SYMMS. I think it's just a matter of what our concern is if we don't—if we start picking out who gets it and who doesn't, it might offend our good old customers who have been buying from us year in year out through various ups and downs. That's a point

that we ought to explore. With respect to beef, do you have any numbers on how much beef is coming into the United States?

Mr. MAYER. Actually the official numbers show a reduction in imports of live cattle this year as opposed to a year earlier. They're down some 40 percent in the official numbers coming across the border. What's down is feeder cattle. What isn't down is slaughter cattle.

Senator SYMMS. Slaughter cattle is up; feeder cattle is down?

Mr. MAYER. Slaughter cattle aren't up, they just aren't down much.

Senator SYMMS. One other question. First, I want to ask: Are you going to be able to stay here for the rest of the morning?

Mr. MAYER. Yes.

Senator SYMMS. So that if we get some more questions we might call you back up to make some comments from the administration's point of view. I would really appreciate that.

But one other question that comes up is it seems like there are two things in just common sense marketing that makes sense that I think all of us agree to and that's price and quality. As a member of the U.S. Foreign Ag Service Department, what are you picking up worldwide about the quality of grain and the quality of the inspection that the U.S. is exporting?

I hear these horror stories about us at the loading docks adding other debris and so forth to the grain and it still makes grade but it adds weight to it—water, et cetera. To what degree is this damaging America's viability to export grain?

Mr. MAYER. Well, there are lots of ways you can look at it, Senator. True, we have had lots of complaints. Secondly, the world is wanting grain. There is a lot of very good quality grain out there and if they want to pay the price for it they can get it. But there is also a lot of other grain out there.

We have grading standards and we sell—the exporters sell under a standard. The problem is we have become so sophisticated if we sell a number two corn the exporters make sure that's what the buyer gets is No. 2 corn. Wheat is in a similar grading situation.

For many other countries around the world that export they aren't as sophisticated. They don't have the techniques to mix in things to get right to the grade. So countries around the world argue; buyers around the world argue that if they buy wheat from Argentina or Canada they get better quality than here. Well, that may be true for various reasons.

One, they aren't as sophisticated in mixing as we are, but basically they're getting what they're paying for. They just really aren't willing to pay for number one quality if that's what they really want. And in the surplus situation that exists they know it's a buyer's market and they're taking advantage of that.

I don't want to come across as sounding like we don't have quality problems and we aren't doing anything about that. We're working very diligently on that.

Senator SYMMS. Well, maybe it's just my background—we have some witnesses that are going to testify from the produce industry today and I come from the produce industry—but I find it just appalling to hear stories about people—and I know this has happened back in the—some of our competitors, in fact, used to do some of

those kind of things to actually be sure they weren't making more than U.S. 1's when packing peaches or apples or some product.

Most of the people that used to do that—in other words, to keep their grade just at the very minimum, they actually added back some No. 2's so the grade wasn't better—most of those people are out of business today. And the ones that have survived are the ones that have striven constantly to improve quality all the time. So they have a more credible package and a brand name that the trade can accept, and I find that a real concern.

Maybe I'm just naive, but I don't see how the United States can expect to win the war of export grains without having the best quality. Because the are two things that are going to determine where you buy it—price and quality.

Are you telling me, then, we should tighten up our standards if people are so sophisticated that they can make—be sure that they give No. 2 for what they paid for? That we should just squeeze up the quality standards of what No. 2 is and what No. 1 is?

Mr. MAYER. Like I say, I don't think I should reach that conclusion. I think the technicians should have a chance. But what I would say is the grain trade itself, the exporters, have reached the conclusion that they must do something to meet the requirements of buyers overseas.

Senator SYMMS. OK. Thank you very much for your statement and your contribution here. I do appreciate that you can stay here. We may call on you again as we get into the program. There may be some questions come up and we'd appreciate it if you could hear what our people have to say.

What I would like to do, if it's suitable to the people that are here to testify, is on our next witness, Mr. Gary Ball, a potato grower from Rexburg, Idaho, and I see that Mel Anderson is here, and call Mel Anderson and Gary Ball up together as a panel, since they both come from the potato industry, and let them both make their statements and then have questions for both of them. If that's suitable for you two?

Gary, welcome to the subcommittee. I'm glad to see you getting around well.

STATEMENT OF GARY BALL, POTATO GROWER, REXBURG, ID

Mr. BALL. Thank you, Senator. Do you want me to lead off?

Senator SYMMS. Why don't you go right ahead.

Mr. BALL. Thank you, Senator Symms. My name is Gary Ball. I'm a member of the Steering Committee of the National Potato Council, a member of the U.S. ad hoc group, the Joint U.S./Canadian Horticulture Committee, a past member of the Idaho Potato Commission, and a past president of the National Potato Promotion Board.

The U.S. potato industry's most urgent trade problem is with Canada. These problems between the U.S. and Canadian potato industries took on a serious nature with the Tokyo round of multilateral trade negotiations of GATT. The U.S. agreed to reduce duties ten percent a year until 1987 when the duties would harmonize at thirty-five cents and end quotas at that time. Canadian minister of agriculture, Eugene Whelan, at that time made many speeches tell-

ing of developing Canadian Agriculture for export markets in the U.S. Canadian potato imports have risen from 805,000 cwt. in 1977 to 4,745,000 cwt. in 1985. I have an attachment to my testimony here with a chart with USDA figures of the Department of Commerce.

The Canadian view is that with a U.S. fall crop of over 300 million cwt. their exports of one to two percent are not a factor on price of supply. Let me show what is really happening in Idaho alone.

Using the 1985 crop year as a base year in just three markets, these numbers give the percent change from 1982. In 1983 Idaho sold 35 percent less than Boston, 15 percent less than New York and 4 percent less than Detroit. In 1984, 15 percent less than Boston, 21 percent less than New York City, and 23 percent less than Detroit.

The 1984 crop is not complete so we don't have those figures yet, however, the trend appears to be the same. The USDA unloads for the week of June 14 through the 20th show Canadian potato unloads at Boston 3400 cwt., New York City 1500 cwt. and Detroit 8900 cwt. The USDA report shows that in the 1984 crop year Idaho shipped fresh 16.6 million cwt. of potatoes and Canada imported 2.9 million cwt., or marketed 17.6 percent as many potatoes in the U.S. as Idaho did. This is a major factor on price and supply.

The Canadian potato producer has 32 subsidies from the Federal and provincial governments of Canada. These subsidies have been the subject of much discussion of the U.S. potato ad hoc group. How can U.S. producers compete when Canadian producers have subsidies available to them such as the following examples: Advance Payment for Crops Act, were Canadian produces may receive interest free loans of up to $30,000 for an individual and $90,000 for corporations. The Fruit and Vegetable Storage Construction Financial Assistance Act, where Canadian federal government pay up to one-third of the total cost of a project not to exceed $500,000. Transportation assistance and the Agricultural Stabilization Act which provides for payments to producers to stabilize returns at a level of 90 percent of the previous 5 year average.

We support President Reagan's position on negotiations for defense to negotiate from a position of strength. We strongly believe these same tough policies should apply to trade negotiations. Last year's trade deficit was 148.5 billion and with a projected trade deficit of 168 billion this year. For the first time in at least 20 years agricultural imports have exceeded agricultural exports. We accept this as a mandate that trade issues must be addressed now and with the firmness required to achieve a reversal of this trend.

The U.S. potato industry supports trade legislation that would deal with unfair trade policies and help remove trade barriers to U.S. products. We believe that there are some things that can be done to strengthen trade relief measures in cases of unfair trade practices. We know, because of the Maine potato industry experience, that current trade relief measures are ineffective and very costly. One thing that this committee must recognize is that potatoes are a highly perishable crop and if borders are closed when the crop has to be moved, severe economic losses can cccur in a very short period of time. These disruptions to the marketplace not

only affect producers who are marketing at that time but it has a domino effect on the industry nationwide.

Canadian marketing boards restrict U.S. potatoes into Canada during periods of adequate supply of Canadian potatoes by not granting "easements" to the container law. These "easements" can be granted or withdrawn on very short notice. The Canadian container law also serves as an interprovincial nontariff barrier.

The Maine potato industry suffered severe economic losses from increased Canadian potato imports and filed an antidumping petition against Canada. After spending about a quarter of a million dollars and three years' time they received a ruling that the International Trade Commission could not determine if Maine was injured by Canadian imports or other growing areas in the United States. Prior to the Tokyo round of multilateral trade negotiations of GATT the U.S. had an exemption on the "proof of injury" clause for antidumping and countervailing duties petitions. The U.S. removed the exemption from itself and Canada knew how hard it was to prove injury. This provided opportunity for increased imports into a country already totally self-sufficient in potatoes and a surplus much of the time.

U.S. and Canadian trade negotiators are currently meeting to determine if there is sufficient political will on both sides of the border to intitiate meaningful negotiations. These negotiations contemplate the removal of trade barriers between the two countries. The National Potato Council takes the position that if tariffs on potatoes are to be removed, U.S. potato producers must be protected from unfair trade policies of Canada and its provinces.

The current duty levels offer our only margin of protection against the Canadian subsidies and other unfair trade practices. Before the National Potato Council supports the removal of these tariffs, the U.S. potato producers must be assured that the Canadians will eliminate their unfair import and export trade practices on potatoes. This would mean the elimination of all direct subsidies for potatoes and marketing boards that set restrictions on imports. If the Canadians are unwilling or unable to do this, the National Potato Council would oppose the passage of the U.S./Canada Free Trade Agreement.

In conclusion I would like to restate the position of the U.S. potato industry on these key points.

Potatoes are a fragile crop, and severe economic losses can occur in a very short period of time from disruptions in the marketplace, such as border restrictions, without prior notice.

The U.S. potato industry urges continued identification and elimination of Canadian unfair trade practices.

A bilateral mechanism, that works, for resolving and quickly dealing with Canadian unfair trade practices be part of any trade agreement. If these things are done, the U.S. potato industry will give its support.

Because of the Maine potato industry experience we know that current trade relief measures are expensive, time consuming, and not effective.

I appreciate this opportunity to appear here today and express the views and concerns of the U.S. potato industry. Thank you. I would be willing to answer any questions.

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Senator SYMMS. Thank you very much. I was going to ask you one question before we get on to Mel's testimony. What is the tariff right now? Did I miss that? Is there a tariff, you say?

Mr. BALL. There is a tariff and it's to harmonize the 1987—I'm sure what that would be right today, but a thirty-five cents per cwt. plus about 20 percent of that, it's probably about forty-two or forty-three cents.

Senator SYMMS. Well, let's hear it from the potato growers of Idaho, Mel Anderson. I welcome you here, Mel. I will just comment that Mel and I attended the University of Idaho together and we spent every waking moment at the library.

Mr. ANDERSON. They've changed the name of that place now. Senator Symms, could I mention something in regard to Gary's testimony?

Senator SYMMS. Certainly. Go right ahead.

Mr. ANDERSON. I think there is one issue and maybe it's unusual, but I asked Gary on the nontariff barrier problems we have with Canada. He mentioned the tariff, but I think there is some nontariff barriers that are significant. Could you comment on those?

Senator SYMMS. Go ahead.

Mr. BALL. Well, the thing I didn't touch on in my testimony in the interest of time is that Canada has filed two antidumping petitions—British Columbia has—one against the western states and the last one was against all the United States for dumping potatoes into British Columbia. But also we have nontariff barriers such as quarantine against seed from the states of Washington, Oregon, Idaho and California. So we're not only fighting tariff barriers, but also nontariff barriers are very offensive.

Senator SYMMS. Quarantine against seed claiming there are noxious weeds in it?

Mr. BALL. As to root-knot nematode, they say they do not have it in Canada.

Senator SYMMS. Is this seed potatoes?

Mr. BALL. Seed potatoes, correct.

STATEMENT OF MEL ANDERSON, EXECUTIVE DIRECTOR, POTATO GROWERS OF IDAHO, BLACKFOOT, ID

Mr. ANDERSON. Mr. Chairman, I am Mel Anderson Executive Director of Potato Growers of Idaho. We are a voluntary cooperative of some 1,250 growers with our state offices in Blackfoot, Idaho.

Historically, about 20 per cent of the Idaho potato production is marked fresh thoroughout the United States over an 11-month storage and shipping season. Using last season as an example, 18.2 million cwt. of Idaho potatoes out of a total production level of 86.6 million cwt. went into our fresh potato markets. These markets in the order of their importance include first, the eastern section of the country from Boston down to Washington, D.C.

Secondly, would be the midwestern section. That would go from Chicago to Detroit to Columbus, Ohio, down to Saint Louis and back up to Chicago. The southeastern section, Atlanta to Miami, back to Birmingham up to Nashville in the southwestern section. Finally the western states. Interestingly enough, the number one city market for Idaho fresh potatoes is New York City.

Our concern is over the impact of table-stock potatoes imported from Canada into our major markets in the northeastern U.S. To best summarize this, I have quoted from the Economic Research Service of the USDA in their *Vegetable Outlook and Situation Report* (February) as follows:

"Canadian imports of potatoes overlap with the marketing of U.S. potatoes in the northeast. The United States imported 4.8 million cwt. of fresh potatoes—primarily from Canada—worth 31 million dollars, in the 1984/85 marketing season that ended June 30. The increase was 49 per cent over 1983/84, and breaks the record set in 1981/82 season. Round white potato acreage has been steadily increasing in the Maritime Provinces of Canada since 1981—allowing for its growth in potato exports. Estimates for 1985 indicate that this trend will hold."

We feel it goes without saying that Canadian potatoes have captured significant shares of the potato markets in places such as Boston, New York and Philadelphia. Their shipments are also beginning to show up in places like Chicago, Illinois; Miami, Florida, at a time when the U.S. potato production level is at or near an alltime record high.

So far the concept of "free" trade has not properly addressed the problem in the interests of the Idaho potato growers. Only U.S. potato growers, for that matter, in Oregon, and the mechanism for seeking redress before the U.S. International Trade Commission has been ineffective as well as extremely costly.

We determined that by our participation in the initial stages of the Maine effort before the U.S. International Trade Commission. Fortunately, we did not spend the kind of money they did to find that out.

For these reasons, Potato Growers of Idaho, Inc., would like to go on record at this hearing in support of fair trade in principle, which should include a "fast track" mechanism for emergency relief from imports for perishable agricultural commodities. We want to make sure that potatoes are included in the definition of perishable agricultural commodities in the legislation that comes down the pike here in this session.

We, therefore, respectfully request that any legislation passed by the Senate dealing with the nation's problems in international trake be based on the principle of fair trade rather than free trade, and include a provison for fast track emergency relief for perishable agricultural commodities.

The association appreciates this opportunity to appear before the subcommittee and especially, Chairman Symms, for taking the time and effort to bring this hearing process to Twin Falls, Idaho.

Senator SYMMS. Thank you very much, Mel and Gary. I agree with both of your statements, as a matter of fact, and I particularly liked your point about the President wants to negotiate from strength with respect to defense questions and foreign policy and that we should do the same thing in trade.

I believe that the recent actions of the administration with respect to shakes and shingles and timber and the movement on that is helpful in the whole picture—hope of coming up with something so we have to demonstrate that we are going to have a fair posture, fair trade as a policy as our previous witness said. But I like this

idea of a fast track on perishable commodities. Have you got a recommendation of how that should be put into this negotiating process?

Mr. ANDERSON. No. We don't at this time, Senator. But the National Potato Council at their meetings on July 17, 18, and 19 in Colorado will address this and have a specific recommendation going back through Tom Hammer's office.

Senator SYMMS. Do you want to comment on that, Gary? I think that's a good suggestion.

Mr. BALL. The National Potato Council does not have a meeting to get together and agree and propose a fast track solution at this time or a proposal we could support. We do recognize the same problems in the House version of the bill that is presently hard to work with and has some drawbacks. We hope that could be improved upon and something could be done that would be effective. We believe this is possible.

Senator SYMMS. To have a fast track on perishable commodities?

Mr. BALL. Yes.

Senator SYMMS. Well, as a matter of fact, if it isn't fast track if the thing is done before it's over, of course, I think some of our lumber people would have closed their mills and would probably say the same thing we should have had a faster track on that. But certainly in the case of a crop year, if it isn't settled within a rapid period for the farmer he's done and over with for that year.

Mr. BALL. For the potato industry two weeks makes a tremendous difference. For example, the Virginia growers traditionally ship about 60 per cent of their production to Canada. Over about a three-week to a month period of time when those borders are closed by withdrawing easements on a 24-hour notice—the crop's lost. It's just too late. A week is a long period of time.

Senator SYMMS. I want to go back to your statement. You say the Canadian view is that with the U.S. fall crop over 300 million their exports of one to two per cent are not a factor. And then you say let me show what's really happening to Idaho using the 1982 crop year as a base year in just three markets. In Boston we're down 35 per cent in 1983, down 16 per cent in 1984 from the 1982 year. Is that what you're saying?

Mr. BALL. That's correct.

Senator SYMMS. That, you think, is partially or largely attributable to Canadian imports?

Mr. BALL. We could document the Canadian unloads in those markets and show an increase during that period of time.

Senator SYMMS. It's about load for load?

Mr. BALL. Yes, sir. In the chart that I supplied on the back of this with their increases—now, what you have to remember is we don't have everything from Canada import because these are the 22 major city unloads for the early years—I think they're down to 15 now. So they document their unloads in those markets and these are part of those unloads in those markets and these are part of those that are documented. So the total is not documented, but we can document some of these markets that the Canadian unloads increased and Idaho has decreased. These are supplied by the Idaho Shippers' Association. They have the computer set up for their un-

loads and they have given me this information to be delivered here at this time. We could go into several cities, but I just chose three.

Senator SYMMS. Mel, you said New York City is our biggest city. Now, in terms of that how many car lots are we shipping out of Idaho into New York City?

Mr. ANDERSON. I don't have the latest total on that.

Mr. BALL. I could get it to you.

Senator SYMMS. Well, maybe we can put it in. Maybe it isn't that important, but we could maybe add it to our record. Just for a specific example, it we're down 21 per cent in 1984 in New York City from where we were in 1982 this is serious as far as Idaho's fresh pack industry is concerned. New York City's our biggest city. That's a big amount of potatoes. When you say it is the biggest one, are we shipping 20 per cent of our potatoes to New York City?

Mr. ANDERSON. We're not shipping 20 per cent, but it's the largest market.

Senator SYMMS. But it's a big amount?

Mr. ANDERSON. Gary got these numbers from the Shippers' Association.

Mr. BALL. I can let you know in a little bit.

Senator SYMMS. Well, maybe we can dig some of these out and put them in the record to make some specific points of how the direct effect—now, I want to ask one other question. You and I had a conversation over in Rexburg earlier this year, Gary, about the way the Canadians target specific crops. And then I think you mentioned asparagus. Where they said well, they're going to get an asparagus industry going and subsidize asparagus and go get the American market in a rifle shot. Do you want to make a comment on that, how that works and how your opinion is of how they go about doing it?

Mr. BALL. If I may, Mr. Mayer who testified earlier is part of the negotiations on the U.S.-Canadian free trade talks and is a member of the Joint Horticultural Committee and we met in April. And it was interesting to me—or the whole committee—as we sat there and talked about the posture of what was going to happen. The chairman of the Canadian committee told us that Canada was a developing country. And I think that it wouldn't surprise me at all that that would be their philosophy that every developing country has a right to develop new industry. Also at our dinner, a gentleman sitting at the table from Canada told me how the Canadian government gave him $500 an acre to develop an asparagus industry. This was a grant for developing asparagus in the province of Ontario.

Senator SYMMS. Five hundred dollars an acre just to develop an asparagus industry in Ontario and sell the asparagus in the cities of the United States?

Mr. BALL. Well, this is true. In Ontario, I think you will find that some of those asparagus one commodities—it takes three years to develop an asparagus industry as a grower—get the plant going—and that's why they did it. They support it for the period of time.

But those are starting, I think, to come back into the Detroit markets. This past year there were some of them. I haven't documented them, but I heard some talk they were beginning to export back into the United States. And that is—the Toronto Maritime

Provinces and through there are traditionally very good to California and Washington asparagus markets. And they will lose that entirely and in a few years they plan on beginning to export back to the United States.

Along with this that meeting of the people from Ontario were very anxious to get our meeting over because they had another meeting to attend there where they said it was the seventh month that the Ontario people had met and talked in preparation for free trade talks with the United States. And I think we're a little less prepared than they are when they have had their industry together for seven months now. They said they had 150 people in town from the province of Ontario that day. This means that there is considerable preparation on the Canadian part for the free trade talks and they are well prepared.

Senator SYMMS. Well, you know that concerns me when you hear a story like $500 an acre to get an asparagus industry going. It's somewhat similar to what's happened with Korea and Japan where they had found out we think in some cases they're making computer chips at a cost of very high numbers, even in several dollars a chip, and selling them for less than a dollar in a rifle shot target trying to get a specific industry. An it wouldn't take too much, I suppose, if the asparagus industry—a little bit of asparagus added to the market—would be probably even more volatile than potatoes, if you can imagine, because it's probably a smaller industry.

Mr. BALL. And a shorter season.

Senator SYMMS. And a shorter season. So I can see how that could be a tremendous problem to specific crops in this country. And what do those people grow when they go out of asparagus here? They grow something to compete with us so we can't export as it is.

I suppose this has been a fair question to ask our USDA person. I imagine that our trade negotiators run into our farm program also from foreign countries because we do have enormous amounts of money that we're spending now in the commodities support programs that indirectly are target price between—the price difference between the target price and the loan price probably is challenged in some parts of the world as a subsidy—and export subsidy on grains.

Mr. BALL. This is true. And when we were in Canada at that time Prime Minister Mulroney raised the subsidy on wheat from $7 to $11. Because of the U.S.——

Senator SYMMS. Eleven dollars cwt?

Mr. BALL. Eleven dollars a bushel.

Senator SYMMS. We could make a lot of money in the Magic Valley at the price.

Mr. BALL. What we run into on this is they do that and they call a subsidy as well. They view that we are subsidized because we just don't grow potatoes, we grow wheat too. We receive that subsidy and so they view those as indirect as well as farm home irrigation projects and so forth. But we have to remember they also have many indirect subsidies, but they also have many direct subsidies.

Senator SYMMS. Thank you very much, both of you. If you could, if Joe could visit with you, I would like to get the specifics in the record of the impact just in New York City of how many car lots

we ship in there and how many we're down and how that impacts us. It gives an instance of the direct impact and what it can mean to Idaho in the future.

Thank you very much. Before we go on to the next witness, I wanted to ask the next witness that's the farthest away, I see here it's Tom Richards. I don't know what your travel schedule is, Tom. Do you need to head back to Coeur d'Alene as soon as possible?

Mr. RICHARDS. I need to get out by noon.

Senator SYMMS. You're on your way to Saint Anthony. Do you mind waiting for another panel? What I would like to do this time if they're all here is to call up the meat complex here. We've got Tom Hovendon, Bill Loughmiller, and Louis Merrill. Is Louis here?

Mrs. WOOD. Senator, I am sitting in for him.

Senator SYMMS. Okay. Joann, if you would all come down to the panel we will have all the meat people up here at once. I will let each one make a statement and I will have some questions—Pat Florence, is Pat here yet?

Mr. FLORENCE. Right here.

Senator SYMMS. So we now have Tom Hovendon, who's the executive vice president of the Idaho Cattle Association; Bill Loughmiller; Joann Wood will be here for Louis; Harold Hyser and Pat Florence.

Are you ready to fire away there, Tom?

STATEMENT OF TOM HOVENDON, EXECUTIVE VICE PRESIDENT, IDAHO CATTLE ASSOCIATION

Mr. HOVENDON. Yes, sir. Senator, it's a pleasure to present this material at this hearing on behalf of the beef cattle industry. We're aware of considerable discussions on the subject of Canadian cattle coming into the United States. We present, with this letter, figures obtained from the U.S. government through Tom Cook of the National Cattlemen's Office in Washington, D.C.

There is a number of those forms over there and there is one with the letter I gave you. It shows the imports and all the various stations. I also have a letter from the Alberta cattle feeders which includes reports on Canadian cattle, whole wheat, both in their country and out. It's not been my good fortune to find such a publication prepared by the U.S. government, but we might already have too many reports.

We certainly offer those figures as being valid. The Canadian figures from the Canadian government are much more present everywhere then our government. We also show the total net imports clear back to 1950 which would indicate that there has been active trade over the years. Those are gross figures from Canada and Mexico. It is the imports less the exports. We probably export a number of fed cattle into the Ontario province from Michigan, Ohio and Indiana and the National Cattlemen, when you start cracking down on Canadian cattle, the people over in that part of the country get very sensitive to that because they sell cattle up there.

Last year we had a rather different thing. A great many feeder cattle came down here. The Alberta cattle feeders complained about the freight rates, they were discriminatory towards them.

Mexico shut their border for most of the year and then let about three hundred thousand cattle come in last year to make the number jump to 711,000.

If you look at the long-range deal when we have bad markets here they stay away and when we have good markets they come in. One other thing we have done there I have shown the cattle slaughter in Utah, Montana which is then through Idaho and Washington. No doubt many of these cattle that are coming in are—the fed cattle are coming from Alberta, the principal feeding province. The handiest place to ship them off is to the northwest part of the United States. They go to Utah, Idaho and Washington principally.

There has been a lot said about the movement. Maybe that the figures are wrong. We have attempted to find those truckers who are moving those cattle. We found in talking to Campbell's in Caldwell that U.S. truckers can only make six loads into Canada per year and then must go to the transportation administrator to get further permits.

Wagner's in Twin Falls, the largest truckers in the west, they have never had any business with Canada. Probably the most unsimple part of Canadian cattle is the subsidies offered to cattle producers in that country. These provinces—these payments will vary from province to province. It's interesting to observe the Canadian situation. People are most familiar with Alberta feeders. They now do have a subsidy program in that province up to eight thousand cattle and they don't encourage it. They're probably the most independent province.

British Columbia has long had a subsidy with producers, regardless of the number of cattle anywhere in the world. Questions have been asked about our import and export. Our import deals on beef, we did change that in about 1977. When our production goes down they have more. But if we have got a surplus then their number goes down.

The heavy slaughter we had in 1976 under the old law just opened up more traffic to Australia and New Zealand, the principal people, because our production was up and they got a percentage. We resent the need to compete with subsidized cattle from Canada and we hope we can send a clear message north of the 49th parallel about this condition.

We realize that current money losing, or nagative equity markets have brought much attention to these imports. We're of the opinion that there is even something more frightening than that that's hurting our industry—it is the changes in the American diet. The obsession of being thin. Eating lots of veggies and little or no red meat.

In my efforts to obtain good information I have subscribed to the wellness letter at the University of California at Berkeley, to their school of public health. They're a credible institution. And in their June issue of the letter brought my attention to "Fit for Life." A diet book. It offers some special thoughts on eating.

The frightening thing about this book is it's been on the best-seller list for many months. At $17.50 per hardback it is no bargain. The people at Berkeley urge those foolish enough to spend $17.50—which I did—for about 150 pages not to believe a word in

the book. It encourages people to use unpasteurized products. It tells people you shouldn't eat eggs because they stink. If you think not, throw a few on the sidewalk and come back in eight hours. And we shouldn't drink milk because cows don't drink milk.

And it says if you're a meat eater have you ever thought of going over and eating your neighbor? This is on a best-seller. My wife has nieces on this thing. A best-seller. I let Jim Little read it on the way down here. I couldn't tell if he was crying or laughing. The ridiculous things they tell people.

Go down to your bookstore and look at all the health books. The people have just quit eating red meat. That's why we have to look at the Beef Research and Promotion Act to really get out and tell the true story about red meat and eating properly and getting your vitamins from balanced food. There is all the vitamins you want in a balanced meal, and combat this thing.

Senator SYMMS. I just might make a comment on that, Tom. A supporter of mine who was concerned about my health gave me a copy of that book. I have it on my bookshelf. I'm glad you alerted me of what it's got in it before I started reading it.

Mr. HOVENDON. Honestly, it shook me up. Two years ago we noticed a sudden increase of the number of live hogs coming south. The Canadian cattle feeders complained to the then Representative Tom Harkin of Iowa and the Iowa people about the hog situation. Now, they were not subsidized and had to compete for grain with those pork producers. So they brought vegetation down here and this started the grounds for opposition in this county on these live hogs.

The case was taken to the International Trade Commission and as a result a countervailing tariff of $3.80 cwt. was placed on Canadian hogs. Nothing was done about the pork product. And if you look at those figures that came along with those excellent reports from Canada showing the amount of hogs. So we're doing something about the live hogs. So what they do is kill them in Canada and send them down here. So we're getting meat, we're getting pork, we're getting live animals. And again I would like to reiterate what the potato people said—fair trade. Like the potato people we're not subsiziding the beef cattle industry but we hate to compete with those people. I think the President should say "Hey, boys, rap the table hard." And you can talk with the Japanese. I'm getting tired of seeing all the Japanese cars over here, but they won't buy our meat. Thank you, Senator.

Senator SYMMS. Thank you very much for an excellent statement. Mr. Loughmiller. I'll have some questions for you all here in a minute.

STATEMENT OF BILL LOUGHMILLER, PORK PRODUCER, TWIN FALLS COUNTY, ID

Mr. LOUGHMILLER. I'm Bill Loughmiller. I would like to thank you for this opportunity to testify here today. I'm a pork producer from Twin Falls County, and have been producing pork for approximately 20 years. In assessing the impact of Canadian pork on our market, I can say it is direct and immediate because our markets here are based on the markets of Omaha.

The University of Missouri has made some estimates on the impact of the imported pork and estimates that it has impacted the market at $1.19 to $2.97 per cwt. in 1982, growing to a level of $1.88 to $4.30 per cwt. in 1985. In my operation that would be an annual figure——

Senator SYMMS. Do you have a written statement?

Mr. LOUGHMILLER. I do. The only problem is when I come by the copy machine, it was an imported copy machine, and it didn't work. If I can have the opportunity afterwards I will have this copied.

Senator SYMMS. That's fine. Would you repeat those numbers again?

Mr. LOUGHMILLER. In 1982, the estimated impact was $1.19 to $2.97 per cwt. And that grew until 1985 the impact was figured to be from $1.88 to $4.30 per cwt. And the operation that I have that would calculate and be between $9,000 and $20,500 annually that our income was reduced.

The figures on the amount of pork imported from Canada are as follows: In 1984 they imported one million three hundred twenty-two thousand head, along with 156,491 metric tons of processed meat, which would give the live equivalent total of around four million two hundred thousand head.

In 1984 with the countervailing duty on the live dropped to one million two hundred twenty-six thousand head, but the process tonnage increased to 183,210 metric tons. Which would give us approximately four million five hundred ninety-one thousand live equivalent head of hogs. Which is a substantial increase over '84 even with the tariff.

The imposition of the tariff reduced the live imports, but actually increased total pork imports. The corresponding loss of jobs in the packing industry followed because of this increase in imported, frozen and fresh pork. The problem with the charts and numbers is we never relate them to something we understand.

When we imported the 1984 hogs into the United States, we actually imported sixty-seven million one hundred forty-eight thousand bushels of feed grain and four hundred seventy-nine thousand one hundred forty tons of protein. In 1985, using the same formula, we imported the equivalent of seventy-three million four hundred sixty-seven thousand bushels of grain and four hundred fifty-nine thousand one hundred seventy-one tons of protein.

In 1985, if we had imported no pork from Canada and still produced the equivalent amount in the U.S., it would have taken three thousand two hundred eighty family farms, each with 100 sows, producing approximately 14 hundred head of market hogs per year to maintain a constant meat supply in this country.

When we measure the effect of Canadian imports let's remember three thousand two hundred eighty family farms or seventy-three million plus bushels of grain imported. I would like to say I'm not afraid to compete with the Canadians on a one-on-one basis. However, subsidies and exchange values don't make a level playing field.

I think it's time we worked towards a policy of exporting the finished product of meat, milk and poultry. An export enhancement program for animal agriculture would do more to solve our prob-

lems than an expensive 1985 Ag program. The policy I speak of would probably take a page from the Canadians and the EEC. It would put grass and cattle on the highly rotatable lands and reduce the grain surpluses and put farmers in rural communities back to work.

Animal agriculture is one of the few areas in Idaho that we're competitive in today's economy because of our distance to market. Freight is a percentage of gross value. It is far less for a pound of meat than it is for a pound of grain or porridge.

I would like to thank you for giving us this opportunity without making an expensive trip to Washington and would hope that you can maybe make the rest of the Senate aware of the problems that Canadian imports create here in Idaho.

Senator SYMMS. Thank you very much. What you're saying is if we put our farm dollars we're spending in the farm bill on exporting meat that would take care of the grain surplus?

Mr. LOUGHMILLER. Well, the figures that I have worked with and have seen show that if we spent approximately the same amount exporting meat, however they were to accomplish it, we would probably be short of grain in this country to export that amount of meat.

Senator SYMMS. As far as your business, Pat, would be concerned, with this tariff they put on the live hogs and not on the processed pork, really puts you at a disadvantage, wouldn't it?

Mr. FLORENCE. I don't really think it makes that much difference to me specifically. If there are subsidies in production we're going to see either pork or live hogs, one or the other, and both compete against products that——

Senator SYMMS. I mean a meat processor, though, and a hog processor. If the hogs that come in on the hoof have $2.80 cwt. and it comes in already processed without it, that might cut you out of the circle, I would think?

Mr. FLORENCE. In the meat packing industry in general that's true. Me specifically it doesn't.

Senator SYMMS. That's just giving the jobs to them up there——

Mr. FLORENCE. That's correct.

Senator SYMMS [continuing]. To processing meat. We might as well do it down here, if we're going to bring them in. I mean, not that I'm advocating bringing them in, but if they are going to bring them in we might as well do the work here as up there.

Let's hear from Mrs. Wood and then we will get our meat packer last.

STATEMENT OF JOANN WOOD, IDAHO STATE LEGISLATOR

Mrs. WOOD. Senator Symms, I'm sitting in for Mr. Merrill. He got a letter here telling about the meeting in Burley and thought perhaps this could have been shifted. So he apologizes for not being here. I took this information on the telephone and not being able to answer too many questions, I will just give you the information he gave me.

Senator SYMMS. Thank you. Let the record show that Mrs. Wood is one of our distinguished Idaho state legislators also.

Mrs. WOOD. Thank you. He tells me that in the research he did to prepare for today that the information he got was from Miller Pack in Hyrum, Utah, killed 60 loads from Canada last week.

Senator SYMMS. Of beef?

Mrs. WOOD. Of beef.

Senator SYMMS. And that's 40 head per load?

Mrs. WOOD. Forty-five head per load. They killed 60 loads from Canada last week. This information came from the man in charge of the wash rack so it should be real accurate. The Canadian subsidy is the problem that Mr. Merrill sees. Forty-five cents a bushel which is 90 cents a cwt. on barley making a feedlot cost of $2.10 per cwt. This information was from Leithbridge.

He says his cost has been $4.50 up until the end of this week. So that shows you the disparity. And he says I don't mind competing with the Canadian feedlot, but I can't compete with the Canadian government. He said there's $75 per head subsidy to Canadian feedlots per head on the cattle.

They have a rate that if the price goes below it kicks in the subsidy. His concern then was with the barley subsidy as well as the cattle subsidy. And then, Senator, there is some talk we haven't been able to substantiate with figures about a trucking subsidy. And then the exchange rate all added together shows a picture why our meat industry—beef industry—in the state of Idaho has a real big problem competing with the Canadian imports.

That's the information I have, Senator.

Senator SYMMS. Did you want to make any comments, Harold?

STATEMENT OF HAROLD HYSER, CATTLE FEEDER, RIGBY, ID

Mr. HYSER. Yes, I would. The reason Louis called Mrs. Wood is we both had a real tight schedule. He didn't get ahold of me. I'm a cattle feeder for Louis. We fed cattle for Louis for the last seven or eight years. At times he's been our sole customer. Right now he has approximately 1,000 head of cattle in my feedlot.

Louis is very knowledgeable about the Canadian situation. He's bought cattle in Canada and sent them down. Tom mentioned about the figures—the numbers—the cattle that I fed last year for Louis were holsteins. Some of those holsteins graded 80 percent choice.

So when the Canadian cattle come down here and go through our packing plants we're talking about choice cattle. We're not talking about cow meat. When it goes through the packing plant it's stamped with a USDA stamp on it if it grades choice—it's lost its identity. It isn't Canadian beef; it's American beef, and it competes on the meat counter along with my meat that I sell or anybody else that sells.

It's stamped and graded by the same grader, and it's going to be side by side in the meat counter. Nobody knows where it came from once it's settled. The numbers—Jim Seedbeck—I have this article from the little digest the Twin Falls Commission Company puts out. He said a week ago he had 16 semi's at his wash rack that unloaded there at the Spokane Livestock Exchange, and of course they unloaded at Pasco which is one of our competitors.

We sell most of our cattle to IBP in Boise which, in turn, fabricates those cattle and ships them to Pasco. The other place we sell cattle is to Miller's in Hyrum. We had a truck at Miller's last night. We had six to eight loads of Canadian cattle we couldn't even unload until they unloaded those cattle last night. We had to call down there because we needed our truck and made some special arrangements so we could get a truck back here today, and this isn't the only time. We have been down there when 90 percent of the kill at Miller's is from Canada.

Senator SYMMS. How many cattle do they kill at Miller's?

Mr. HYSER. You all have mentioned that there was 27 hundred head last week, if that was 60 loads. I don't know whether they were running one shift or two shifts. Tom or some of the other people might have those figures.

Mr. LOUGHMILLER. In my figures show Idaho, Utah, and Washington—Miller's—it's not broken down by packers, but they're a major packer. Through May killed 154,500 cattle in five months or about 30 thousand cattle a month is what they killed at Miller's.

Senator SYMMS. That's about 7,500 a week?

Mr. FLORENCE. They kill about 12 to 13 hundred a day.

Senator SYMMS. So twenty per cent of what they're killing is coming from Canada. If 60 loads a week is typical?

Mr. HYSER. A trucker that worked for us, and he has his own truck, had a chance to go to Canada just last week for Miller's. He worked for E.A. Miller and Sons Trucking at Hyrum. They wanted 22 trucks up there the next day to get Canadian cattle.

I happen to know several Canadian feeders. We've done business. We fed cattle for Canadians; we brought cattle down here. So we're in direct contact with them on a weekly or monthly basis. I could give you the name of one trucking outfit that's just as big as Wagners, and at times they have their whole fleet of trucks bringing cattle either into Pasco or into Hyrum.

Louis also mentioned about the grain subsidy. At times, it figured out to be $21 a ton, which they're being subsidized for grain which makes it very difficult for us to compete when they have that kind of a subsidy. They also, like she mentioned, they have $1 a head subsidy when the price of cattle drops to a certain point. So all those things work against us.

Senator SYMMS. Thank you very much. Pat, do you want to make your statement now, please? Do you have a copy of it there?

STATEMENT OF PATRICK FLORENCE, GENERAL MANAGER, INDEPENDENT MEAT CO., TWIN FALLS, ID

Mr. FLORENCE. I had the same problem that Bill had this morning, but mine was with a domestic computer.

Senator, thank you for the opportunity to address your subcommittee today. I'm Patrick Florence, I'm general manager of the Independent Meat Company here in Twin Falls.

The Idaho producers, processors and distributors of beef and pork products today truly operate in a world economy. The ability of these markets to freely find their domestic price levels based on supply and demand can be, and often is, affected by external factors.

If meat animals and products subsidized by foreign agricultural programs freely enter our domestic market in significant quantities, the market will be affected.

Your subcommittee is in a much better position to determine whether trading partners such as Canada are, in fact, subsidizing livestock production and meat processing. I can only comment on the significance and magnitude of such products entering the U.S. through Northern Idaho's Eastport.

I have following a list, Senator, of the cattle marketings in Idaho for the last five years. I have compared those with cattle entries through the Eastport in northern Idaho for those same last five years. I don't have current 1986 figures for production in Idaho or past '85 figures for Idaho; I do have those for Canada.

As you can see on the chart, a fairly significant amount of cattle that are actually marketed in Idaho are coming through that northern port. I have the same chart on Idaho marketings of hogs and again they're fairly significant. On the cattle they range from a low of about 4 percent up to a high of about 13 percent. And on the hogs, a low of 7 percent to a high of about 26 percent.

On dressed meat cattle the figures are also fairly significant—about four percent on cattle. And last year as high as 72 percent on the pork. I guess to explain it briefly: The pork produced in Idaho, if compared to pork imported through the northern port in Idaho, the Canadian pork would be about 70 percent of that produced in Idaho.

It is my judgment that these numbers are significant, and that Canada is a major player in the meat complex of the Northwest.

A free market must be a fair market. Our producers are motivated and efficient. Given an equitable market position, we will continue to contribute significantly to the economic health of the region.

It is my belief that federal government does have the responsibility to negotiate this equitable market position in international trade. Thank you.

Senator SYMMS. Pat, these cattle that are coming in through Eastport, where are most of those being slaughtered?

Mr. FLORENCE. They would be slaughtered at two places that were mentioned before—well, actually three. One of the two Iowa beef plants; one at Pasco; one at Kuna, right outside of Boise; and Miller in Hyrum, Utah.

Senator SYMMS. But you're not getting many of them here then?

Mr. FLORENCE. No.

Senator SYMMS. Do you get a few hogs here occasionally from Canada?

Mr. FLORENCE. We do not import any hogs from Canada. We maintain the paperwork and permits to import hogs. We haven't exercised those permits since 1978—that's philosophical.

Senator SYMMS. I appreciate that, but there comes a time in a business like yours that you have to survive too. I appreciate the fact, and I'm sure producers around here appreciate the fact that you slaughter most of the local produced cattle and hogs and I salute you for that. But most of those are going through the bigger slaughterhouses?

Mr. FLORENCE. Yes, they are.

Senator SYMMS. And the next question is, and maybe Tom Hovendon would want to comment or Bill Loughmiller also. I keep running into this kind of book like this—what's the name of this book you've got there? We don't want to give it any extra publicity, but——

Mr. LOUGHMILLER. "Fit for Life."

Senator SYMMS. And you recall, Tom, back in the House Ag Committee—when I was on the House Ag Committee—you and I worked together with a certain Congressman named Fred Richmond who came out to Colorado, and you really went over and showed him the beef industry and backed him off a little bit. But he was on the rampage of attacking the beef industry and the cereal industry and about everybody else that was processing or producing food in the United States. And I used to tell him that he was promoting the apple business by the way he was ranting and raving on the committee.

But what about the grade? That's my question. I keep coming across people, Idaho beef producers occasionally—some of them are cow/calf operators—say that our grading system is not keeping up with the market. And I have been cited a figure that in Argentina people eat 240 pounds of beef a year per capita and in the United States we're down to not enough now.

I agree with you. I think we're going to have an awful lot of iron-deficient people out there if we don't eat more beef and red meat. But what about that? Is our grading system not meeting what the market's asking for? Do we need more lean beef?

Mr. HOVENDON. Does someone have a towel? I would like to cry. We have tried from Idaho through the National Cattlemen elsewhere to change the beef grading standards. We have a very antique system, but the people who designed it say it's perfect.

Only recently some consumers came out and said, "Let's call a good grade of beef select." Here's some real helpful consumers who oftentimes question our offer to change the grades a little bit. Say "they're just going to rip us off," but they want this leaner meat.

But you try and work through some of those people in the midwest and they say, "Nothing doing. You've got to give them choice. You've got to get so much fat off them before they're choice." And you're locked into that. And they discriminate between the cattle grade choice. If you put choice on it, that's fine, it goes out USDA grade choice. If it doesn't, they call it a "no roll."

Senator SYMMS. They call it what?

Mr. HOVENDON. A "no roll." In other words, here's the carcass. If the grade's choice the guy says, "put choice on it." So the guy's got a big wheel and he rolls it all the way down the carpet—it says choice. If it doesn't, it goes down the line and they sell that "no roll." It's probably just as good and very close to choice.

And when you get some mental problems with graders—and every packer will tell you they have them, won't they? When they get involved in that, God knows what they sell these "no rolls" for. What's that "no roll" really worth? What are they selling it for? Are they selling it under a brand name and getting almost as much as choice or not? At least we suspect that that's what's happening. Some markets have been—like Philadelphia—they want

choice beef period. The west coast markets, they would just as soon have the leaner beef.

Senator SYMMS. Now, this idea about select lean that sounds good to me. That has a good market appeal.

Mr. LOUGHMILLER. It's got a better name than good.

Senator SYMMS. What you're really saying is that under our grading system that the highest price is choice and then they have cut off some of that and throw it away. And then they cook it and they have this left over in the pan or the grill or somewhere that's dripped off, and we might as well reduce that down. What does this do to the cattle feeding operation if we started going with the leaner beef? We just don't leave them in the feedlot as long? Is that what it would be?

Mr. LOUGHMILLER. They would be there less time. If you put that last 100 to 200 pounds on it's very costly. You might get through and say we have a 60-cent cost per gain, but that last 100 pounds probably will go on at 89 cents a pound. It throws your whole deal off. There's a lot of bad things.

We talk about fat—really it's energy. The cattle store energy. But nevertheless the consumers want that leaner grade and they have come forth and said select grade. And that's something that opened some ears in these people that won't change.

Canada's got a better grading system than we have. I've tried to get them to adopt it here. All they do is measure the outside of the fat and count one, two, three, four. If it's a young animal it's an A-one, two, three, four. You can judge those cattle live. They've got so much cover on them they'll be A1 or A2. We've got to cut open the rib and look at the rib eye.

Senator SYMMS. Do you think this will take legislation to correct this? Or is this something that USDA could just do?

Mr. LOUGHMILLER. Senator, you have to go through the hearing process. And you have to get enough people to agree that you want to change.

Senator SYMMS. How does the National Cattlemen—they don't go along with you on this?

Mr. LOUGHMILLER. We're outnumbered by those midwesterners that don't want to change.

Senator SYMMS. Pat, what about you as a packer or as a processor?

Mr. FLORENCE. I think you have to look at the whole historical perspective. U.S. Department of Agriculture started grading cattle to accomplish two or three things. One thing was to provide a price mechanism. That was kind of a side issue. The real reason was to give some kind of third-part input—objective third-part input—into the valuation of cattle so the consumer would have an idea what he was getting.

Those grade standards were developed 30 or 40 years ago and have gone through some changes. We have added—USDA has added in addition to the quality prime, choice, good grade, they have also added one, two, three, four and five which yield grades reflect leaness.

The problem we have got now is we have outgrown the system. The consumer is demanding a product that the USDA grades don't represent or don't clearly represent. And we have got a product

now we're feeding poor choice cattle because of the economic value of getting that choice grade. And we have totally abandoned the other grades. They don't fit the consumer's demands.

Senator SYMMS. Which grades have you abandoned?

Mr. FLORENCE. We have abandoned the good grade. The good grade is the grade right under choice and it's a very broad grade and represents cattle that are at the top end or the quality end and are highly efficient, fast-gaining, youthful cattle that don't put on enough fat in that first 12 hundred pounds of growth to grade choice. It also would recognize heifers or young cows. It would also recognize cattle of just poor quality.

Senator SYMMS. Where would a holstein milk cow that was in the dairy buy-out fit into that?

Mr. FLORENCE. A holstein milk cow would not fit into the beef grades. It would actually fit into the cow grades. But the holstein heiferett, as we call it—the three-year-old or two and a half year old—culled cow or heifer that didn't make a cow would fit into that good grade. That creates the problem.

You've got an animal on one side that is a youthful, fast-growing meat machine, if you will, one of the more moderate genetic facts of animals in the same grade as a heifer that didn't make the dairy string. And so what has happended—it's just a natural movement—the industry has quit using the good grade because the grade is too broad. It doesn't help the consumer; it confuses him.

So the industry has gone to what is called everyday—we go into our coolers in the morning and the USDA grader comes in and we present 150 head of cattle and he grades 85 per cent of them choice. The 15 per cent that he doesn't grade or those 25 head we call them "no rolls." We go out and we try to sell them as negative beef.

And on the choice side we try to tell those people we want to sell them something that's high quality because we recognize the fact, which again sends the wrong message to the consumer.

I think the concept that Tom was talking about, the select concept, is a good one. In fact, our company attempted to market such a product two and a half years ago when they selected the grade light select. It went through our pilot program and we liked the response we got from the consumer, but we couldn't get USDA to recognize the grade.

Senator SYMMS. How do you deal with where we have such a big marketing system through some of the bigger chain stores now? Is there more resistance through them or are they pretty willing to take the change?

Mr. FLORENCE. Well, I think, you know, it's difficult to read their minds. One of the difficulties that we've created, in my mind, in my opinion, of the last 15 years, we have moved a long ways the way we market beef. We have made it much more efficient. We have moved from selling a grocery store or a chain store a carcass hanging on the rail to selling one that's already fabricated in the box.

And basically he has very little left to do at his grocery store. He cuts the steak and lays it out—rather than trims it; rather than blocks out the beef. And that's good. The difficulty, in my opinion, is we have moved the inventory responsibility from the store level

back a couple of steps to either the warehouse or the packer. And so we have given that chain store quite a bit of power. He doesn't necessarily have a vested interest in moving all the parts. And it's created some marketing problems that we really haven't handled or really haven't shaken out yet.

Senator SYMMS. Let me ask you one more question. If I stop over at McDonald's and have a hamburger for lunch today, whose beef am I eating?

Mr. FLORENCE. If you're stopping at McDonald's there's no way to tell for sure. I can't speak for McDonald's, but if it was a McDonald's store, it would be produced regionally, although not locally.

Senator SYMMS. But it would be U.S. produced hamburger?

Mr. FLORENCE. At a McDonald's store, it would be, yes.

Senator SYMMS. Where does the Argentina and Brazilian and other Latin American beef go that comes in here?

Mr. FLORENCE. Basically it would be in hamburger or meat that would be further processed. For instance to go into salami or bologna or to dogs or something like that. That beef would not be graded choice. It would really, if you were to grade it on our system, it would fit into that good grade or standard grade or what we now call "no roll."

Senator SYMMS. What about hogs and the pork? Do you have the same problem there? Is the choice grade the same thing?

Mr. FLORENCE. Hogs are not graded on the same system. Basically the hog system is similar to the Canadian system.

Senator SYMMS. It's a better system?

Mr. FLORENCE. Historically, the way cattle and hogs have been marketed they have gone two different directions and it's working fine on the pork end. Basically the way the pork works is the hog is either—the pork is either acceptable or unacceptable and then it's graded on leaness. If it passes minimum quality or maximum quality requirements then it's graded one, two, three or four. So that means it's either very lean or very fat.

Senator SYMMS. Is four very lean?

Mr. FLORENCE. Four is very fat.

Senator SYMMS. That would be, now, what you want is very lean? Is that what you try to go for, Bill? What do you shoot for?

Mr. LOUGHMILLER. Well, we try to lean them up. Genetically, we've probably made good progress. I would say that we've made 50 per cent improvement in the last ten years.

Mr. HOVENDON. Senator, it's interesting to watch people in the midwest feed both cattle and hogs. If you watch the cattle and hog markets week in and week out, they'll weight about 174 pound per carcass. They are beautiful when they take them to twon. They will sit there and overfeed cattle by 200 pounds. They're feeding both animals, but the pork industry does a beautiful job. It's very predictable what they're going to do.

Senator SYMMS. Is part of this reason in the cattle industry just because the market's down and people just hold back a little bit and feed them some more, and it's a lot—okay—Well, does anybody else have a comment? Joann, you look like you were going to say something.

Mrs. WOOD. Senator, I just wondered if it might be information that we should have. I spoke with the Golden Valley Pack—the owners of that—and they tell me they's probably one of the largest importers of Canadian cows—the cow market—at least in Idaho, but in this area. If you would like me to, I will try to pursue that and get figures——

Senator SYMMS. That would be good.

Mrs. WOOD [continuing]. To add to this testimony.

Senator SYMMS. Harold, do you want to make a comment on the lean beef? You're a cattle feeder. Do you have any resistance to trying to have leaner beef, as far as you're concerned in your business?

Mr. HYSER. We would sure like to have leaner beef, Steve. I have seen the time when we can't sell cattle for as high as two weeks because they bought these Canadian cattle. It's like Tom says, the cost to put that last 100 to 200 pounds on there is very expensive, and the consumer would sure be—it would be more beneficial to them if we didn't have to do it. And it would sure cut our costs, because everybody is cost conscious right now.

If we didn't have to put this extra fat on there you could move more cattle. The big thing it would do would cut our tonnage down. And if we cut our tonnage down, it would be a real asset to the whole industry.

Senator SYMMS. I want to ask one last question before I let you all get away. What about the holstein cows that were bought up in this dairy buy-out? Did they actually get slaughtered or did they end up being sent across the border and the milk coming back? Have you killed any of them over at your place?

Mr. FLORENCE. We killed quite a few of them. I think, without having the figures in front of me, we can safely say most of those cattle that have entered the program have been slaughtered. There are still several more on the program that haven't come up on the slaughter periods yet.

I believe they truly are being slaughtered and I believe they are going to market. Whether it would help long term I have some real reservations. I do have some reservations on the aspects of orderly marketing and some of things that happen—especially the first 30 days of the program.

I think it was devastating. I think it was very injurious to the industry—especially the fat cattle industry and the calf industry. While I have got the floor, I want to make one more comment on the lean beef thing.

This is just my opinion, but I think it's really important that we give the consumer what they want. They want two things. They want lean beef and they want something they perceive is lean and healthy. They also want something that's going to be tender, juicy, and flavorful.

I think we have the ability—I'm confident we have the ability to recognize that in carcass form—that we can train graders to pick that out. I think myself or any other good cooler man or good packer or many of the feeders could walk through a cooler of hanging beef and select those beef that fit the consumer's eye.

And I think it would be very helpful from a marketing standpoint that USDA would recognize that that is true, that is real.

And I think from an economic standpoint it would be very helpful to the industry. It would also be very helpful to the consumer.

Senator SYMMS. Thank you all very much. Mr. Hovendon.

Mr. HOVENDON. A couple things, Senator. We show a list of cattle coming across in the various ports in the United States. Sweetgrass, Montana, is right where highway Interstate 15 reaches Canada. I would assume that's the busy section. I would assume cattle coming through there are cows going to Golden Valley—the Eastport here in Idaho, I would assume those cattle, rather than winding down highway 95, are probably going down to Pasco or some packing plant there in Washington.

Might I close with a small quotation from the book as it talks about eating meat. "Kids are the real test. Place a small child in a crib with a rabbit and an apple. If the child eats the rabbit and plays with the apple, I will buy you a new car."

Senator SYMMS. Well, I'm not going to object to not eating the apple, but I want to say one thing about it. I have long believed in all this nutrition business and after watching all this hysteria that goes on, that a well-balanced diet is really basically what people need.

If they eat vegetables and apples and fruit and other products, then they can eat the red meat and get the vitamins and minerals and so forth that they need. And I think it does fit very well and I hope we can, in the beef industry, meet that market demand because I think that may be part of our problem. We have to adapt to the market.

Now, I had my bacon for breakfast and I'm going to have a steak for dinner tonight, and hope I can help out the produce industry along the way. I think it's very true that there is—we have to recognize it and we can't overpower the market. And bureaucracy notwithstanding we have to make these adaptations. And I certainly want to pledge my support to do what I can to help the industry be able to meet this market.

What concerns me is to see these numbers nose-diving every year to how much red meat people are consuming. It's astronomical, the changes in the short period of the last ten years of what's happened.

At that point, I think I would like to take a five-minute break and then we will have our last two witnesses. We have two very important witnesses. We're going to hear from Mr. Tom Richards of Idaho Forest Industries and Mr. Alex Sinclair, a commodity trader, who has a good handle on the pulse of agriculture here in Idaho.

[A brief recess was taken.]

Senator SYMMS. I have called the meeting back to order here, and I apologize to Tom Geary, president of the Idaho Farm Bureau and Tim McGreevy of the Idaho State Wheat Growers. I have got too many marks on my sheet, I didn't realize that I still had them left also.

Our next witness will be Tom Richards of Idaho Forest Industries. In case it isn't in your statement, Tom, I'm going to ask you a question—and Tim, you can come on up to the table also, if you would like to—Tim McGreevy. After we've had this last panel we're going to hear from Ed Lettunich of the Cattlemen from

Payette and Jim Little, I think, requested he would like to make a couple comments also.

Tom, before you even start on your statement, I was just asked a question and I have been asked constantly throughout the state because of my devotion to try to get something done about the Canadian import problem on softwood timber, that my position is contradictory with that of a very respected firm in the state that's a large employer and that's Boise Cascade.

I wonder if you would comment on some of the reasons in your statement, at the appropriate time, why or whether it's a different kind of timber they're in the market with—pine versus fir and other kinds—or what is the reason that they have not been so enthusiastic? As those of you in the panhandle part of the state—although you operate at Saint Anthony's as well at the other end of the state. But we welcome you to the subcommittee and I appreciate your interest in this subject and your contribution to it. So at this point, Mr. Tom Richards, president of Idaho Forest Industries.

STATEMENT OF TOM RICHARDS, PRESIDENT, IDAHO FOREST INDUSTRIES, HAYDEN LAKE, ID

Mr. RICHARDS. Thank you, Steve. Our company operates two sawmills in the state of Idaho. Two in Kootenai County near Coeur d'Alene and one in Fremont County at Saint Anthony.

Senator SYMMS. We're having trouble hearing you.

Mr. RICHARDS. I truly appreciate the opportunity to testify on the very important subject of the impact of Canadian agricultural imports on our domestic markets. I doubt if any sector of the Idaho economy has been impacted by Canadian imports any more than the forest products industry. It was certainly interesting for me to hear other segments of the Idaho industry this morning talking about Canadian trade practices, unfair Canadian trade practices, because it is certainly a similar story to the one we have heard.

Although I do have to chuckle at Tom Hovendon. We do have a couple of things that correspond in this industry: One, no one has proven if you consume too much softwood lumber, it's injurious to your health. And two it talks about lean meat. When you go home tonight measure a two by four. We've got that sucker down to one and a half inches by three and a half, so we've been doing it for many, many years.

Let me give the subcommittee a quick historical perspective. From 1976, Canadian imports accounted for 21 percent of the softwood lumber consumption in the United States. By 1984 these imports increased to 31.4 percent and last year accounted for over 34 percent of the softwood lumber consumption. In some specific areas, such as dimension lumber, Canadian imports account for as much as 60 percent of our domestic markets.

The Canadians argue that there are four reasons why they have been able to capture this share of our market.

First, they point out that U.S. consumers and builders prefer Canadian lumber. This is absolute nonsense. There is no difference between the lumber produced in Canada and the lumber produced in the U.S., with the exception of price. A two by four produced at Saint Anthony, Idaho, in this hand, and a two by four produced at

Prince George, British Columbia in this hand, you cannot tell the difference.

When the Canadians drop their price considerably below ours, yes, the customer is going to prefer Canadian lumber. The Canadians secondly point out that the only time the forest products industry in the U.S. complains is during the bad market periods. We have to remind our Canadian friends that we have had record years of consumption of softwood lumber in both 1984 and 1985 and will surpass these records again in 1986. The problems we're facing are clearly not demand related but related to oversupply.

Third, the Canadians point out that their mills are more productive. Again, this is absolute nonsense. In Canada there is a very similar situation as what we have in the United States. There is a mix of three kinds of mills—state of the art, reasonably productive, and reasonably inefficient—just as you find in the Pacific Northwest.

Our studies show that mills in Idaho producing the same products are equally as productive as similar mills in British Columbia. And, finally, the Canadians point out that the real problem is the strong U.S. dollar. There is no question that the strong U.S. dollar has not helped and is part of the problem, but not to the degree the Canadians claim. Canadian inflation has run substantially ahead of U.S. inflation over the past decade, wiping out most of the Canadian dollar exchange advantage.

The real problem is the Canadian practice of subsidizing the purchase of raw material. In Canada, where 98 per cent of the timber is owned by the provinces, the price of timber is artificially reduced so as to maintain employment. Under the free market system in the U.S., we maximize the return to the owner whether it be the U.S. government, the state of Idaho, or private landholders. It is clear that we are dealing with two totally different systems; one to maximize return to the owner and one to insure employment. Regardless of what the Canadians may say, the only way that fair market value can truly be established is by seeing what a willing buyer will pay a willing seller in a free market. This does not take place in any province in Canada.

The end result for the U.S. has been obvious—an ever-increasing flood of cheap Canadian lumber; thousands of wood products employees laid off; thousands of wood products employees with wages and benefits cut; and in states like Idaho dramatically reduced levels of funding for schools and roads.

The solution to this dilemma has become perfectly clear. For many months we have been trying to get the Canadian government and/or the industry to voluntarily cut back on their imports to our country. These negotiations have been totally fruitless. We are, therefore, asking for a countervailing duty to offset the difference between Canadian subsidized raw material and the cost of raw material under our free market system.

We are cautiously optimistic that such a duty will be approved by the Department of Commerce by sometime in October. This kind of protection would appear to be available to us under present trade laws and since these trade laws are consistent with the GATT Treaties, should not bring retaliation. If we fail to get a duty by that time, it will be because the definition of a "natural re-

source subsidy" under present trade laws is not clear enough. At that point we will have no alternative but to push for legislation such as the Gibbons-Baucus bill that better defines natural resource subsidies.

I would comment, Senator, as you know last week we did get a five to nothing affirmative vote from the International Trade Commission. I would agree with the testimony earlier this morning it has been very costly for us to get that decision out of the International Trade Commission. We got the same decision, as you know, in 1983, and unfortunately the biggest hurdle is still ahead. We still have to get the same kind of decision out of the Department of Commerce in October.

Most of us in the forest products industry have long believed in free trade. By definition, however, free trade also means fair trade. All of the world's trade partners are supposed to operate under the same rules with no restrictions or government assistance. If and when this happens, the maximum benefit in the form of income, jobs, et cetera, are supposed to accrue to each country. When one country changes the rules, however, to give it a trade advantage, there is no longer free or fair trade. All we are asking in the forest products industry is an opportunity to compete with our Canadian friends on an equal basis.

I would comment on that regard—and that also came up this morning—our experience in the last year that the Canadian problems with the federal government just work hand in hand with that industry. The federal government last year sent almost four million dollars to Washington, D.C., lobbying and fighting various pieces of legislation.

Senator SYMMS. The Canadian government?

Mr. RICHARDS. The Canadian government. A much different situation than we have in the United States, where we're spending our money trying to convince our government to assist us. The other thing you have to realize about the Canadians—that came out this morning too—is how very pragmatic these people are in trading matters. When that shingle and shake duty was put on three weeks ago, they put those retaliatory duties on other products virtually overnight—they don't fool around. They play hardball up there.

We can recall the circumstances in the mid-1970's—there's a very small plywood industry in Canada. Just about enough plywood produced in Canada to supply their own needs up there. Naturally, they have a tariff against plywood coming in from the United States. This particular year, in the mid-1970's, the Canadian plywood industry went on strike. The Canadians could see immediately this was going to damage their builders, because they had no plywood available. So they immediately took down the tariff against the United States plywood coming into Canada. Seven weeks later when the strike was over the tariff went on the plywood. These are the kind of people we're dealing with—pragmatic, tough trade people.

Senator Symms, the question you asked about our good friends of Boise Cascade is an excellent one. There are several companies in our industry in the United States that are not supporting our effort to resolve the trade issue with the Canadians—Weyer-

haeuser, Champion, Louisiana Pacific and Boise Cascade being the four major ones. The reason is very simple: All these people have major investments in Canada, and they're being very honest about it. Weyerhaeuser has, of course, the biggest; they operate several sawmills. Louisiana Pacific, they just received a grant from the British Columbia government to build a plant in northern British Columbia. They have got to be friends with the Canadians, when they're getting a grant. And Boise Cascade is the same. It's going to be of interest to them.

Senator SYMMS. I think that's a better answer than I just gave. I wish I would have had your testimony sooner, I might have been more retaliative on my response. That was a very good answer and a very good statement.

I tremble to think of what would happen—I would just like to ask one other question. In terms of cost, how much money has the forest products industry spent in the first go-around? Back in 1982, what did it cost you to get a bad report—or, well, I wouldn't say a bad report as a report we disagreed with?

Mr. RICHARDS. In 1982 and 1983 to get a favorable three two report out of ITC and then to get turned down by the Department of Commerce we spent between three and four million dollars. This year to get our five to nothing vote out of ITC and now hopefully to get a favorable vote out of the Department of Commerce probably a little more than that—very expensive.

Senator SYMMS. This is just in legal fees, paying attorneys to make a case for you, compile all the data, and present it to the ITC?

Mr. RICHARDS. Attorneys and consultants; correct.

Senator SYMMS. So it becomes a very expensive process for an American producer to try to get their own government to be cooperative rather than adversarial?

Mr. RICHARDS. Absolutely.

Senator SYMMS. Now, next question. In Canada, you told me one time that the head forest ranger or their counterpart to the chief of the province forest service was on loan for Louisiana Pacific or one of the major companies. In other words, they don't have all the pretenses that we have in this country about trying to keep everything so simon-pure that we can't get any timber available?

Mr. RICHARDS. That's correct. Up there they have what's called a court or—allegation system. Each company is just given an area. 50 thousand acres and you're free to manage this and bring in the trees and they're charged the minimum charge for it. All provinces work the same.

Senator SYMMS. I have been in Idaho a lot in the last few weeks flying back and forth across the state and there is just massive millions of acres, literally, of standing timber in Idaho that's mature and that needs to be harvested so young trees can replace it to enhance the growth. And if, in fact—I thought to myself if I owned all that timber or a person or a company of Tom Richards, say, and if they wouldn't sell any more of it to the wood processing industry then the federal government will sell it and they would probably take you to court for an antitrust violation and monopolistic management practices. Do you feel that way, as a timber purchaser,

that there are enormous obstacles to overcome to be able to bid for timber?

Mr. RICHARDS. There have been times when we have felt that way. Today, the supply issue, to be honest with you is very secondary to the market issue. If we can't resolve the Canadian thing and have an opportunity to compete in the marketplace and make a profit, we really don't care if we get any trees.

Senator SYMMS. But don't you still end up bidding against your competitors to get trees sometimes?

Mr. RICHARDS. Oh, sure. But that's all part of our free market system in the United States. Our company is a very small company——

Senator SYMMS. Well, it's a free market system from your standpoint, but from the seller's standpoint it's a monopoly. If you get the U.S. Forest Service out of the market, well, there isn't anything left. We've overfed everything else.

Mr. RICHARDS. Well, the last several years companies such as Potlatch Corporation have had to overcut very heavily on their private grounds in order to survive to stay out of the monopoly.

Senator SYMMS. But that's a question we can't—it needs to be looked at from a long-range plan?

Mr. RICHARDS. Right.

Senator SYMMS. To have a more reasonable management and more supplies available off those—and from a horticulture standpoint, for us in Oregon and Washington and Idaho to stand here and allow these old trees to fall to disease, fires and other hazards of nature without harvesting them will, for the next three or four generations of human beings, it will really jeopardize their timber supply?

Mr. RICHARDS. We have several million acres of wilderness, and we should probably have a little more wilderness. The real problem is we still have several million acres tied up in study areas. This is really where the environmentalists want them. They'd just as soon leave them in study areas forever. We need to resolve those areas, put a little bit of that wilderness——

Senator SYMMS. But when you look at the billions of softwood timber in the Pacific Northwest, if that's not harvested then it doesn't make room for a new forest to be planted.

Mr. RICHARDS. That's correct. There's no better example of that than right over here in southeast Idaho. Those forests have got to be harvested.

Senator SYMMS. I thank you very much for a very excellent statement and a good contribution to this hearing. Alex, do you want to testify next?

STATEMENT OF ALEX SINCLAIR, COMMODITY TRADER, SINCLAIR & CO., TWIN FALLS, ID

Mr. SINCLAIR. I'm Alex Sinclair of Sinclair & Company, and I'm also part owner of the fresh pack potato operation.

In regard to the question that was asked of me, I assume the statistics of Canadian exports to the United States and the imports from Canada are accurate in regard to potatoes, but I have some concern of shipment of potatoes from, say, Prince Edward Island

down directly to New York or Florida markets, but basically I could live with the Canadian and U.S. statistics that we have available.

Canadian potatoes are subsidized, and this year Canadian farmers received up to $24,000 each in direct cash payments from the federal government and some of the various provinces. I understand their potato farmers enjoy other subsidies as well, which Gary pointed out in his remarks. How are non-subsidized Idaho potato farmers to compete with a subsidized product?

This issue just bounces back to timber and bounces back to all these other things again, but potatoes are another issue. At times, as Gary pointed out, they artificially cut off the quantity of potatoes that we can ship back over to them by just saying, "That's enough. We have too many. We don't want them."

To make short-term decisions like that at a whim seems incongruous to me. How do you plan for that? You can't. The duty of Canadian potatoes is 35 cents per hundred as of this next year. I think it's 35 and a half currently. But it's scheduled to be 35 and remain 35 for the indefinite future.

I would propose that we quote a duty of $1.50 on Canadian potatoes coming into the United States until they remove the subsidies that are present in the current system.

The potato acreage in Maine alone has dropped some 40,000 acres at the same time that acreage across the border, in Brunswick and Prince Edward Island, has advanced approximately the same amount. Production of potatoes in total from the early 1970's to the 1980's in maritime provinces has increased approximately 50 percent.

Maine production has declined during that same period of time. It's a very important issue to Idaho because, as Mel pointed out, New York City is one of our biggest markets. Boston is a big market for the Idaho potato. We unload more potatoes, and have in recent years, in New York City than Maine. You go back in history and Maine unloaded many more potatoes in past history than the United States in that market.

New York is a quality market, and that's one of the reasons that Idaho has scored well in New York. Canada is shipping continually more quantities of potatoes into both Boston and New York and other eastern markets. It comes as far west as Chicago, from what I understand—some of the shipments from maritime provinces. There are potatoes that come across the border into other regions—into North Dakota for processing.

There are potatoes that come in across the border into New Brunswick, other than the west coast areas also. Potato exports through the U.S. market have more than doubled the last few years and Gary had the statistics there. In fact, it was almost four times. From around eight hundred thousand cwt. to four million seven, mentioned this morning. So this is a big issue. Four million seven hundred thousand cwt. represents approximately 25 per cent of the fresh shipments that Idaho, the largest potato growing state in the United States, ships. So the quantity, even though it's only one per cent of the total production—one and a half per cent of total production—is a very meaningful quantity when you relate it to the fresh potato market—very important.

The potatoes are not the only item that is harming Idaho agriculture. Hogs and cattle imports are also a problem, as well as Canadian grain.

I am also told that Canada is gearing up to attack the U.S. Christmas tree market with free seedlings and other subsidies, which is also another Idaho product—in Montana as well. I'm not sure where all the Christmas trees come from, but I assume that Idaho is a major packer.

In regard to free trade, I am for free trade. I don't necessarily just want a duty on Canadian potatoes. I can back up to a suggestion that I made a number of years ago and that was that in any country dealing with the United States that exported a billion dollars or more of products to the United States, that we would automatically review any duties, quotas or restrictions on trade that we had with them and apply the duty, restriction and quota value to all of their exports to the United States equal to the highest of any one product that we ship to them.

Let me give you an example that in logic comes across stronger than any product I can think of with Canada; that is with Japan. I will use beef as an example. I'm not sure of the numbers, but I would say there is probably, between the production and the pricing of the beef in Japan there is at least 100 percent of extra cost to get American beef in to a Japanese consumer.

If we apply 100 per cent tariff to Japanese automobiles, can you imagine how long that tariff would last? Do you see what my point is? In two days it would be negotiated out and there would be no tariff. There would be no tariff on beef going in, there would be no tariff on the autos coming in here.

But if we applied that maximum penalty to all products coming from Japan for the worst product they had going in we would just keep coming down through each of the products. One's 100 per cent penalty. We apply 100 per cent to everything coming in from Japan.

The next product would be analyzed with a 90 per cent penalty. Then the tariff drops to 90 per cent. We get rid of the tariffs one by one; Japan says, "We'll get rid of all of them. You get rid of that 90 per cent duty on our automobile and we'll get rid of all of them." It would be free trade in two weeks but you can't do it piecemeal. You can't——

Senator SYMMS. Let me ask a question. That's a good suggestion, but what do you do in a case of the corporate leaders of "Japan, Inc." decide that they want to kick out and go after a company like Micron Technology? They're going to specify that they're going to get what it is in their market at any cost? How do you do that? You say there is no duty or no tariff; they're just going in and dumping?

Mr. SINCLAIR. You still have to be fair. In other words, you would have a team of auditors that would be the team that says, "Here is what." They're coming from the United States and analyzing the Japanese situation just as they did in this trade issue with finding the dumping of the microchips. They go in, they analyze the situation and say, "You're selling under cost. That is illegal."

Under cost—on ag you go—and cost becomes a different issue because we're in a market that goes to low cost at times. We're sell-

ing fairly under cost. We're selling at levels that are competitive in Japan and in the United States. They proved that they were selling under cost and that they were dumping. That's another issue that goes even beyond getting rid of the tariffs and duties. But if you can prove they're selling under cost and unfairly competing and dumping then, yes, you could get contraband duties or restrictions or whatever.

Senator SYMMS. In 1975 the U.S. imposed an embargo on exporting soybeans for a temporary period of time and stimulated growth in Argentina and Brazil. The soybean industry from 1979 imposed embargo on wheat. You commented on whimsical attitudes the Canadians had on putting a barrier up on our potatoes going in in the middle of the week or something while we're in the middle of potato harvest and the packing season. What do we say about that? Is that a whim too?

Mr. SINCLAIR. It was a disastrous decision at the time. If you back up on the soybean thing, in particular, being the first time, and it was purely a price situation. It came at the time of OPEC cutting off our oil supply. The food thing came at the same time. The food shortage and high prices of food came at the same time that OPEC had just jacked the price of oil up.

The Japanese came to us, and they're our principal recipients of soybeans coming out of the U.S. market, and said, "We're willing to pay the price. Just give us the soybeans." We said, "no soybeans. The price is too high in the U.S. market and because of that we want to allocate those soybeans to the U.S. market."

The Japanese said, "You can't cut off our food supply. We are your number one customer. How can you tell us we can't eat? Is that what you're really telling us?" "Yes, I guess that's what we're really telling you." Well, the Japanese took 75 billion dollars and invested it in agriculture. They don't have land in Japan to invest in so they went to Korea, they went to Brazil and started a Brazilian soybean industry. They went to Australia and invested in agriculture; they invested some of it in U.S. agriculture. They saw some, just after that, some purchase of U.S. farmland by Japanese as well.

Most of that money got distributed. Some of it—they went into China with the money they provided. They're probably Chinese farmers, but it's money that was provided out of Japan that promoted expansion in Chinese agriculture. Because they said, "You can't cut off our food supply. We are dependent on you. You're going to have the ability to whimsically cut us off." That exact same argument came in the Russian embargo. "If you're going to be an unreliable supplier then we have to promote more Argentine development. We have to promote more development of our own agriculture, because we can't have our food supply cut off either."

Senator SYMMS. It also set an example for other countries. I understand Saudi Arabia can export wheat now. It's very high priced, but they can do it.

Mr. SINCLAIR. You're talking about Europe over the United States and what we're doing. It costs around 14 dollars a bushel to produce a bushel of wheat in Saudi Arabia and they've become self-sufficient in wheat and now they are exporting wheat. I'm sure he

has got some numbers he can probably give you, but it's costing them $11 a bushel subsidy to do it. So it's ridiculous.

Senator SYMMS. Thank you very much, Alex, for an excellent statement and I appreciate you being here this morning. If you've got business to do, I will let you go, unless something else comes up you want to comment on.

Tim, do you want to give your statement now?

STATEMENT OF TIM McGREEVY, IDAHO STATE WHEAT GROWERS ASSOCIATION, BOISE, ID

Mr. MCGREEVY. On behalf of the members of the Idaho State Wheat Growers Association and the Idaho Wheat Commission, I thank you for allowing me to convey to you our concerns with the identified freight subsidy provided to the Canadian wheat producer by the government of Canada.

In July of 1985 U.S. Wheat Associates, the international market development arm of the Idaho wheat producer, published a report which identified a Canadian government subsidy of over $1 a bushel which did and is still allowing Canadian wheat prices to undercut U.S. wheat prices in international markets.

The study, commissioned by U.S. Wheat Associates, showed that the Canadian government paid nearly 70 percent of the shipping costs of wheat from the farm to the export positions. That subsidy has increased nearly 79 percent of the transportation cost as of August 1, 1985.

The study was conducted by Gratron Grain Transportation Consultants of Portland, Oregon. The study found that per bushel freight rates charged Canadian producers from various interior points to Vancouver, B.C., ranged from 23.9 cents per bushel from Manitoba and 16.9 cents to 20.5 cents a bushel from various points in Saskatchewan.

Conversely, wheat producers in North Dakota paid between $1.24 to $1.33 per bushel to ship their grain to the west coast export positions. In Montana wheat shipments to west coast ports cost a farmer between 99 cents to $1.19 per bushel.

Idaho producers are also being adversely affected by this subsidy. At the time the report was released freight charges from southern Idaho positions were quoted at between 56 to 65 cents per bushel, depending on the volume of the movement. That means that Idaho producers face a transportation cost approximately 40 cents greater than the Canadian rates in effect.

The Canadian producer in Saskatchewan and Manitoba is enjoying a $37 per metric ton freight subsidy over his counterpart in the United States. The existence of this freight subsidy, along with the overvalued U.S. dollar, has allowed the Canadian Wheat Board to be extremely predatory in traditional U.S. markets during the past three years.

The Idaho Wheat Commission, Idaho State Wheat Growers Association, U.S. Wheat Associates and the National Association of Wheat Growers, upon release of the study asked the Office of the United States Trade Representative to declare the Canadian practice a subsidy. Not until December, 1985 did U.S. Trade Represent-

ative Clayton Yeutter state, "the rail transportation practices do appear to constitute an export subsidy."

With the U.S. government's acknowledgment of the subsidy finally in place, all of the wheat marketing and information groups mentioned earlier asked that the U.S. Department of Agriculture expand its export enhancement program to include those countries which have been traditional U.S. export markets but which have been the target of recent price cutting by the Canadian Wheat Board. The export enhancement program must be used as a tool to combat unfair subsidization by not only the European Common Market, as stated by the Administration, but also the Canadian Wheat Board.

As an example, of your USDA's *World Production and Trade* report recently informed us that the country of Peru is buying more Canadian wheat. Peru recently purchased 20,000 tons of Canadian wheat at $98.50 per ton. This price is $6 per ton less than the lowest U.S. price. Peru purchases 1.0 million tons (36.7 million bushels) of wheat annually and the U.S. has traditionally been its major supplier. But since 1984 Canada, using the freight subsidy, has cut deep into this traditional U.S. market.

I thank you for allowing me to present to you the position of the Idaho State Wheat Growers Association and the Idaho Wheat Commission on this very important but yet profoundly ignored issue that has, in concert with other factors, devastated the export market for our wheat producers.

I trust that the 75 million bushels (21 per cent) decrease in exports from Pacific Northwest and some 490 million bushel decrease in total U.S. Wheat exports during the recently completed crop year exemplifies the need for the U.S. government to address certain issues that have affected our wheat growers' marketing and income producing opportunities. Again, I thank you and would be glad to answer any questions you may have.

Senator SYMMS. Thank you very much. That's a very good concise statement, Tim, and I appreciate having that. This subsidy that's enjoyed by them, I want to get the number here of what we've been going against here in Idaho. We're quoted between 56 to 65 cents that we ship for the same distance. How much is the subsidy?

Mr. MCGREEVY. It figures out to a forty cent subsidy as compared to Idaho.

Senator SYMMS. With respect to going to Peru, how much more is involved with Canadians—that would be done by ship. What's the total cost of a bushel of wheat that would come from Canada, transportation-wise, to Peru versus coming out of the average of the U.S. wheat producer—I don't mean cost, I mean transportation cost, excuse me. How much subsidy is there in the whole route because we may end up paying on ship too; is that correct?

Mr. MCGREEVY. All we're aware of is the transportation subsidy from the farm to the export ports. We are not aware of any export subsidy there provided from the ship down to Peru, say.

Senator SYMMS. How about the ships with our restrictions on the Jones Act and so forth?

Mr. MCGREEVY. We have certainly some cargo preference problems with fifty percent of our flagships. We have to go with the

American flagships which does cost us some money and that does play in.

Senator SYMMS. How much more is that?

Mr. MCGREEVY. We figure that's probably—if they can't get the foreign vessel in, if it's an American vessel we're looking at at least $1 to $2 a bushel more for that subsidy.

Senator SYMMS. $1 a bushel more?

Mr. MCGREEVY. I believe it's about $1 a bushel more.

Senator SYMMS. Boy, that sounds like a lot. In other words, what you're saying is we should try to look to taking some of the export enhancement program that's in the farm bill and aim it toward—a market like Peru would be the logical place?

Mr. MCGREEVY. The wheat growers' position on the export enhancement program is it's a good program. And we should open it up to everybody. That's including Russia. That's including everybody. Anybody that's been our customer. Right now in the Pacific Northwest our main customers are the Asian rim.

Senator SYMMS. That's what Secretary Block said when he came to Idaho, if your recall, last fall.

Mr. MCGREEVY. But so far he has neglected to expand those markets.

Senator SYMMS. He did say that it's going to cause a lot of controversy.

Mr. MCGREEVY. I was there when he said that. I appreciate it.

Senator SYMMS. He said, "We have to be willing to do this." I share that view. I want to ask Mr. Mayer who's sitting back here if he would comment on that. On this freight subsidy, is there a place where we can use, or under current law without any action, is there a place we could use an export enhancement program to combat some of this trade subsidy action?

Mr. MAYER. Well, yes, Senator. If we make eligible those countries, as we have pointed out, that currently are getting wheat from Canada then we could, in fact, compete more with them. As I pointed out earlier the focus of the program has been on those countries that were importing EC wheat and getting the benefits of the EC subsidies. We have not made eligible, under that program, countries getting wheat from the competitor nations—Canada, Australia or Argentina. So the point he's making here if we make the Asian rim countries eligible that would take care of that.

Senator SYMMS. I thank you very much. Now I want to hear from——

Mr. MCGREEVY. May I make one comment?

Senator SYMMS. Certainly.

Mr. MCGREEVY. He said that the export enhancement program was designed to combat unfair European community practices, but we felt that the intent of the program was to take care of unfair trading practices worldwide, not just against the EC, and that's where we differ with the USDA on this particular point. I just wanted to point that out.

Senator SYMMS. Thank you. Now, for our last witness before we get some of those from the floor, and I have got two or three others—Ed Lettunich and Jim Little. Go ahead, Tom, and make your statement.

STATEMENT OF TOM GEARY, PRESIDENT, IDAHO FARM BUREAU, BURLEY, ID

Mr. GEARY. I'm Tom Geary, president of the Idaho Farm Bureau——

Senator SYMMS. We didn't save the Idaho Farm Bureau until last because it's the least important. I might note that you're the largest farm organization in Idaho.

Mr. GEARY. That's right. It's the most important, that's the reason it was held until last.

Senator SYMMS. And also Tom Geary is very humble.

Mr. GEARY. Senator Symms and members of the Joint Economic Committee, I would like to thank you for the opportunity to make these comments regarding the trade issues that so greatly affect agriculture in Idaho.

Trade issues are very complicated and several Idaho crops including wheat, feed grains, potatoes, lambs, beef, and pork are all affected by what is being done by our neighbors in Canada. As a general farm organization rather than making recommendations regarding the specific commodity, we would like to urge you to monitor and support the completion of the Comptroller General of the United States' study, as provided for in the Food Security Act of 1985.

This study requires the review of federal regulations and inspection procedures in effect for import food products and agriculture commodities. It also requires a study to be done on feasibility of labeling imported agriculture products identifying country origin. As an example of this situation is potatoes entering the northeastern United States which compete with Idaho potatoes. These potatoes currently receive only random spot checks.

Current Farm Bureau policy recommends that all imported agriculture products be subject to a point of entry to the same inspection, sanitary, quality, labeling, and residue standards as domestic products. The point of entry inspections should be in addition to "processing plant," "field" or other required U.S. government inspections in country of product origin.

This program would be supported by import fees and therefore would not be a drain on the budget. I understand this type of fee would be consistent with GATT regulations.

We hope that you will consider and help to implement these suggestions. Thank you, again, for the opportunity to appear before you.

While I have got the floor, just a minute, Senator, I would, I guess, in line with what the last panel was talking about and maybe if we got the year of the USDA demand here, I would think that maybe the U.S. Department of Agriculture kind of owes something to the beef industry because of the dairy buy-out program and the reduction we had in cattle prices at that particular time. Whether it was psychological or actual pounds of meat, that affected it. It had a tremendous effect on the market.

And I would think that one of the good things that the U.S. Department of Agriculture would do at this time is to take the studies of many universities which have shown that for good human health we need so many ounces of either pork or beef, red meats,

with amino acids and other vitamins and things that are there and to maybe give us a little publicity to the point that these things are healthy and we need a certain amount of red meat in our diet. And I think that would probably do more for the meat industry than going out and buying so many pounds of dairy meat and sending it to some foreign country or something.

Let me just come out with a statement saying we need this for a good healthy human body to have these amino acids. I have seen many studies where there is less cholesterol and fewer calories in a piece of lean red meat than there is in chicken or fish.

Senator SYMMS. That's an excellent suggestion. As a matter of fact, if we could get the Secretary of Agriculture to speak out on that that might be a very good thing. And ideally, to get the great communicator in the White House to make one of his five-minute radio shows about it. If everybody would just go buy five pounds of beef over and above what they normally buy in this country, it would really help clean up the surplus in a hurry. And it would be very helpful to this whole situation.

It would help agriculture because the beef industry is the biggest part of agriculture, and it's the one part of agriculture that is not involved in any government programs. And I mean it's one part that's not involved in it, but they never seem to end up getting bumped by something else that happens. It's either competing with subsidized milk that's buyng out grain and pushing the price up. And they get through that and the next thing you know they have to compete against the surpluses in the milk cows. There are constant problems that they have, and they haven't been asking for any help from the government, as opposed to the other major commodities.

In fact, they have been trying to keep the government out of it. And I think that's a good suggestion. I appreciate your statement. I don't have any more questions right now, but I thank all of you. I hope Leo Mayer can take that suggestion back because those are the kinds of things that we would do immediately if we could start speaking up and—what you're saying is have the consumer side of USDA start telling the story of why we need to eat red meat.

Mr. GEARY. I think there are plenty of adequate surveys at many universities throughout the country that would indicate that the human diet does need red meat and amino acids and iron—it is documented.

Senator SYMMS. Alex, do you want to make a point?

Mr. SINCLAIR. Steve, just in regard to this overall day as we sit here and listen to some of this stuff and all the different products we're talking about. They're key products for our entire state. And you've obviously picked up a lot and have understood a lot about the issue because of the lumber issue and you have been involved in that very heavily over a period of time. But it seems to me that these Canadians don't listen unless you hit them with a sledge hammer.

Senator SYMMS. Amen.

Mr. SINCLAIR. And the issue is not just one. It goes way beyond that. You have got to get into supplements of macroeconomic issues and frighten them with their lives to get their attention; to say either "We're going into tariff situations, or we're going to have

free trade. You guys make up your mind and you have got six months to solve it."

Senator SYMMS. Don't you think they have got more to lose than we do?

Mr. SINCLAIR. No question about it.

Senator SYMMS. That's why I felt so happy about what the President did on shakes and shingles. It has a spillover effect on these other products. If we're not going to do it on that, we're not going to do it on anything. I hope we win this case.

And it just appalled me, as a U.S. Senator, to know that my government—that it's so costly for our own citizens to have to fight this battle themselves. There seems to be this hostility toward production and it's been going on for years and that's been one of my reasons for being in this game I'm in. I just feel it's just outrageous that the U.S. government cannot become more pro producer in this country.

Mr. SINCLAIR. I understand the problem when you start dealing with a Third World country and their economy is so dependent and so embattled in trying to gain foreign exchange. But when you're dealing with a country the size of Canada and the development that Canada has, you're not dealing with the Third World country. Whether you want to call it a developer or developing country, I don't care. It's sure not a Third World country. And these people are just plain taking advantage of us.

I don't think there is any question about free trade is the right way to go. I don't argue that. I know it's more efficient and I know it's better for the producer in the long run. You're going to have somebody hurt if you opened up everything and really had true free trade. That's okay. I can live with that, but I can't live with competing with subsidized exporters.

Senator SYMMS. Thank you very much, all three of you for your patience and diligence to wait out the morning. Ed Lettunich drove down here this morning from Payette and I understand you've got a statement.

Mr. LETTUNICH. I don't have a statement prepared, Steve.

Senator SYMMS. Well, that's all right. I want to hear from you.

STATEMENT OF ED LETTUNICH, CATTLEMAN, PAYETTE, ID

Mr. LETTUNICH. Something that seems to be the problem every time we call a meeting, we get off on tangents like we did this morning. Whether we're talking about diet, consumption, dairy products, or of grading meat—still in the marketplace the thing that determines price, again, is supply and demand.

For 40 years the United States beef producer has not been able to produce enough beef within the boundaries of the United States to take care of consumption—the internal consumption. Whether it was at the stage when we were consuming 100 plus pounds per capita, or, now, I think it's down to 80. We still did not produce enough in the United States.

So, when we're talking about today's imports, according to Tom Cook, National Cattlemen's Association in Washington in February 1985, at a time when beef producers were going broke at the greatest rate I have ever seen—and I have been in the business 35

years—we imported roughly 15 percent of the beef we consumed in the United States. And we exported one point two or three percent.

To get specific, and we're talking about Canada, in 1985 we imported the 14 per cent more metric tons of beef than we did in 1984. In the first two months in 1986 we imported roughly 50 per cent more than we did in the first two months of last year. And the reason we did that was because our adversaries up in Canada were smart enough to know that the dairy buy-out was going to come, so they came with their beef before it was impacted by the dairy buy-out.

Now, the figures we heard this morning from the fellow over there says maybe it's not so much. It's more, but not as much as you think it would be. There shouldn't be any more. But if there is, the reason it's down now is because they have laid off the last month or two because they don't want to get impacted like the poor American rancher.

One other thing you're talking about—subsidized crops. The Canadian government has an agreement with the European Community and they take 50 million tons of heavily subsidized meat every year from Europe and they put it into Canada and they shove at least 50 million tons of maybe Canadian beef right back down to us. So that's subsidized. One way or another we're eating it down here.

A colleague of yours in Washington, D.C., this Ron Marlenee from Montana, he's addressed the fact of what they call backdoor brokering of European commodity beef. I think the ag policy of the United States government for a great many administrations has been based upon a foreign policy. And I say today in 1986 two and a half per cent of the people cannot subsidize that foreign policy. Just like three per cent couldn't do it a few years ago and two per cent won't be able to do it in a few more years.

We have to come to grips with the thing and start representing the people that produce here in this country or we're going to get some day like we have with this oil thing, where we're at the mercy of some other people, other than our own producers. Thank you.

Senator SYMMS. Thank you for an excellent statement.

I have a problem here. I have a noon speech that I have to give, but my counsel can stay here and take statements from the audience. I apologize. I want to hear what all of you have to say and I'm truly interested in it. John Hatch can stay here, who's my ag representative and we will keep this hearing record open for another 15 minutes or so.

The record will be open to anyone who wants to mail a statement in to the Joint Economic Committee in Washington, D.C. We'll be happy to take it and incorporate it in our hearing record. So, if you will all excuse me. Anybody else want to make a statement? If not, I will close the gavel and you can submit written statements. I thank all of the witnesses both from here in Idaho and those who came from long distances around Idaho.

Mr. Mayer, we're glad to have you out here to hear these problems, because like I said at the outset, things are tough on the farmer. And I don't think we could emphasize it often enough and over and over enough that if we can't do better in agriculture than

we're doing right now, there are going to be a lot of farmers' tears that are going to be squeezed out of this situation and less production and more reliance on foreign production.

And when one looks back at history that's what happened to the Romans. They finally got too lazy to farm so they started going over to the land of milk and honey and bringing the food across the Mediterranean and quit worrying about it. Finally they got so dependent on everyone else that they couldn't survive. I think that agriculture is the backbone of certainly this state, but it is also an important backbone for our society.

If we're going to maintain our strength and our freedom in this world, we cannot overlook the basic producer of new wealth and natural resources, because everything we have that's dear to us comes out of a hole in the ground in terms of what it is that makes our lives safe and comfortable in our opportunities.

Thank you all very much. Gary.

Mr. BALL. Let me make one more comment.

Senator SYMMS. Certainly. I want to compliment you, Gary. I know very few of us that have put the effort in on some of these problems, and the quality of your work is certainly admired by me.

Mr. BALL. If I may, I would like to just try and sum up what I think has happened here today and to this subcommittee that you represent. I think that Mr. Mayer in his talk talked about the agricultural—the administration felt that we would not see the agricultural imports—see the exports maybe more than one month. The administration did not even anticipate that this would happen.

I think what we're looking at is that we're all caught off guard because the dollar has weakened, but inflation in the other countries has gone on. And in weighing that weakening of the dollar, we're no stronger in the marketplace now than we were before we began to weaken. I think this subcommittee needs to recognize that and we need some action.

We cannot sit back and wait for a weaker dollar and those export markets to open up on that basis, as we have done for the last year or so, thinking this would happen. Because it is proved now that it does. So we would strongly urge your subcommittee to take action through trade negotiations and legislation. And let the other countries know we're serious.

Senator SYMMS. I share that view. I think those bicep programs and export programs we have in the Farm bill, we have to go out and use those immediately to start buying back those markets.

The dollars that we spend in that area are going to do a lot more good than some small check that some farmer gets out here that is scattered out all over however many of us there are left on the farm. They get these small checks and say, "It's a lot of money." We're talking about billions of dollars. If the taxpayers read that they get outraged.

We'll do more good to go get some of our markets back than we will those individual checks. They're not enough to keep these people out of the bankruptcy court anyway, in most cases. So we need to use that part of the Farm bill aggressively and urgently as possible, and we will send that message back with you.

We're glad to have been out here to hear this. The subcommittee stands adjourned. I thank all of you for being here. Thank you very much.

[Whereupon, at 12:10 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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